methanex
the power of agility

A RESPONSIBLE CARE® COMPANY

2020

ANNUAL REPORT

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Methanex Corporation

is the world's largest producer and supplier of methanol to major international markets in Asia Pacific, North America, Europe and South America. Our production sites are located in New Zealand, the United States, Trinidad, Chile, Egypt and Canada. Our primary objective is to create value through our leadership in the global production, marketing and delivery of methanol to customers.

Methanol is a clear, biodegradable liquid commodity chemical that is a key ingredient in a variety of chemical derivatives, and serves as a building block to produce a multitude of everyday consumer and industrial items. Methanol is also used in an increasing number of energy-related applications and is an innovative, clean-burning alternative fuel.

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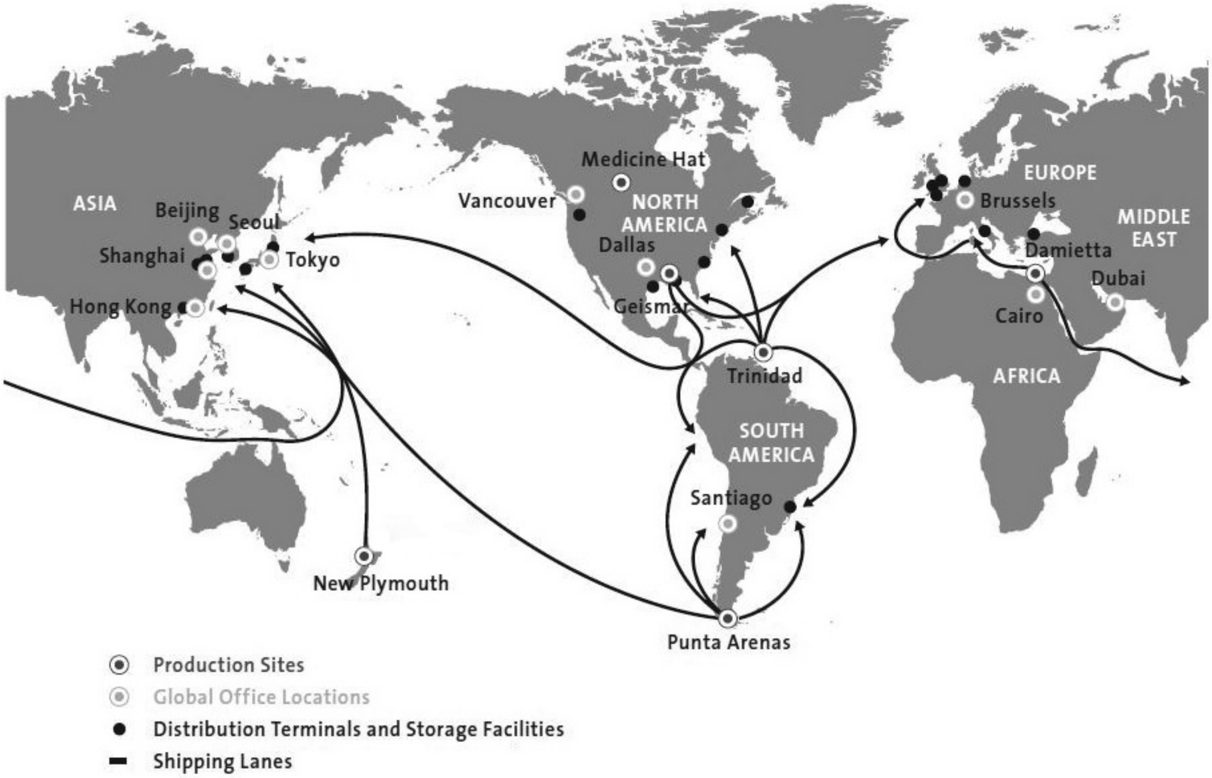
Methanex – Global Methanol Industry Leader



Global Production Facilities

Methanex's global production sites are strategically positioned to supply every major global market.

New Zealand
Our New Zealand production site supplies methanol primarily to customers in Asia Pacific. We have three plants in New Zealand, Motunui 1, Motunui 2 and Waitara Valley. The Waitara Valley plant is currently idled indefinitely due to natural gas availability.

United States
Our two plants in Geismar have the capability to serve customers in all major methanol markets.

Trinidad
Our Trinidad production site supplies methanol to all major methanol markets. We have two plants in Trinidad, Titan and Atlas (Methanex interest 63.1%). The Titan plant is currently idled indefinitely.

Chile
Our Chile production site supplies methanol to customers in South America and Asia Pacific. We have two plants in Chile, Chile I and Chile IV.

Egypt
Our Egypt plant (Methanex interest 50%) is located on the Mediterranean Sea and primarily supplies methanol to the domestic and European market, but can also supply Asia.

Canada
Our plant in Medicine Hat, Alberta, supplies methanol to customers in North America.

Global Supply Chain

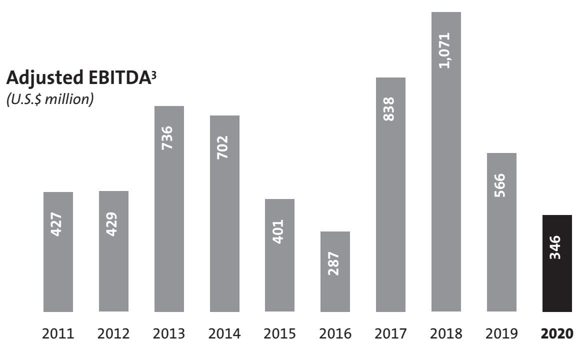
Methanex has an extensive global supply chain and distribution network of terminals and storage facilities throughout Asia Pacific, North America, Europe and South America. Methanex's wholly-owned subsidiary, Waterfront Shipping, operates the largest methanol ocean tanker fleet in the world. The fleet forms a seamless transportation network dedicated to keeping an uninterrupted flow of methanol moving to storage terminals and customers' plant sites around the world. For further information on Waterfront Shipping, please visit www.wfs-cl.com.

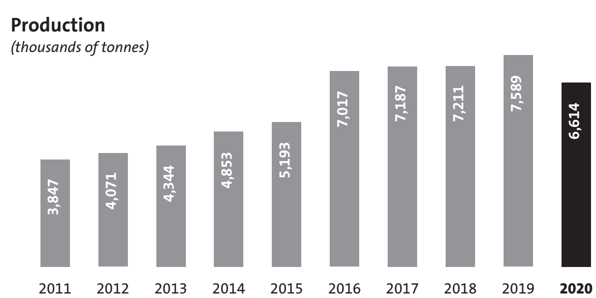
Our Responsible Care Commitment

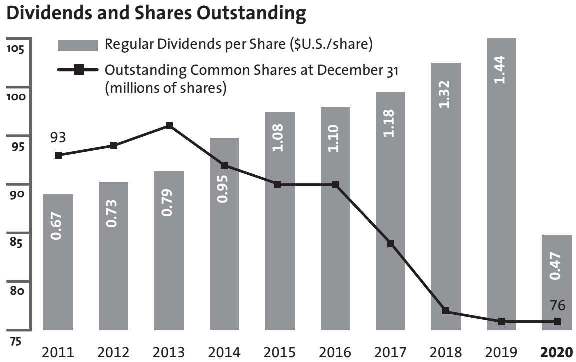
Methanex is a Responsible Care company. Responsible Care is the umbrella under which Methanex and other leading chemical manufacturers manage issues relating to health, safety, the environment, community involvement, social responsibility, security and emergency preparedness. The total commitment to Responsible Care is an integral part of Methanex's global corporate culture.

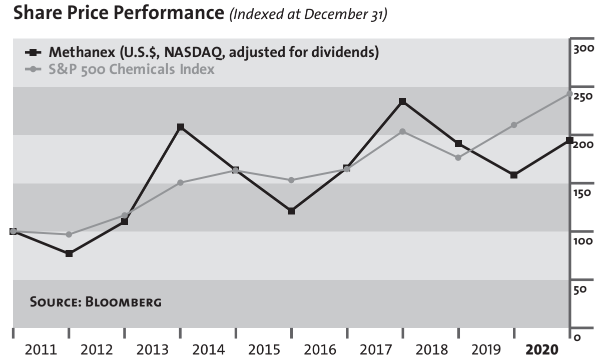
2020 Financial Highlights *(U.S.$ millions, except where noted)*

	2020	2019	2018	2017	2016
Operations					
Revenue[1]	**2,650**	3,284	4,483	3,584	1,998
Net income (loss) (attributable to Methanex shareholders)[3]	**(157)**	88	569	316	(13)
Adjusted net income (loss)[2 3]	**(123)**	71	556	409	(15)
Adjusted EBITDA[2 3]	**346**	566	1071	838	287
Cash flows from operating activities	**461**	515	980	780	227
Modified Return on Capital Employed (ROCE)[3 4]	**-0.2%**	4.1%	18.5%	12.9%	0.4%
Diluted Per Share Amounts (U.S.$ per common share)					
Net income (loss) (attributable to Methanex shareholders)[3]	**(2.06)**	1.01	6.92	3.64	(0.14)
Adjusted net income (loss)[2 3]	**(1.62)**	0.93	6.86	4.71	(0.17)
Financial Position					
Cash and cash equivalents	**834**	417	256	375	224
Total assets[3]	**5,696**	5,197	4,609	4,611	4,557
Long-term debt, including current portion	**2,363**	1,769	1,458	1,502	1,556
Net debt to capitalization[5]	**51%**	45%	40%	39%	42%
Other Information					
Average realized price (U.S.$ per tonne)[6]	**247**	295	405	337	242
Total sales volume (000s tonnes)	**10,740**	11,134	11,208	10,669	9,478
Sales of Methanex-produced methanol (000s tonnes)	**6,704**	7,611	7,002	7,229	6,828
Total production (000s tonnes)	**6,614**	7,589	7,211	7,187	7,017









1. Revenue for 2018 and 2017 are restated for the recognition of revenue on Atlas produced methanol. Prior years have not been restated.
2. The Company has used the terms Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue, and Operating income (loss) throughout this document. These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the Supplemental Non-GAAP Measures section on page 40 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.
3. Net income (loss) attributable to Methanex shareholders, Adjusted net income (loss), Adjusted EBITDA, Modified ROCE, and total assets for 2020 and 2019 includes the adoption of IFRS 16. The 2018 and prior comparative periods have not been adjusted for IFRS 16.
4. Modified ROCE is defined as adjusted earnings before interest and taxes (after-tax) divided by average productive capital employed. Average productive capital employed is the sum of average total assets (excluding plants under construction) less the average of current non-interest bearing liabilities. Average total assets excludes cash held in excess of $200 million. We use an estimated mid-life depreciated cost base for calculating our average assets in use during the period. The calculation of Modified ROCE includes our share of income, assets and liabilities in the Egypt and Atlas methanol facilities.
5. Defined as total debt less cash and cash equivalents divided by the sum of total equity and total debt less cash and cash equivalents (including 100% of debt related to the Egypt methanol facility).
6. Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced and purchased methanol.

President's Message to Shareholders

DEAR FELLOW SHAREHOLDERS,

At this time last year, COVID-19 was starting to make its way around the world, and most of us could not have imagined the profound impact that this global pandemic would have on our personal and professional lives. As I write this letter, I am humbled as I reflect on the past year and our team's dedication and agility in facing one of the most challenging periods of our time. We came together as "One Team" to ensure that everyone remained safe and healthy while continuing to deliver on our promise of reliable methanol supply to our customers.

Look back at 2020: Sustaining our business through a global pandemic

The safety of our team members is always our number one priority. As COVID-19 began to spread, we recognized the need for a customized approach to our health and safety protocols for each jurisdiction, given the varying infection rates and differing restrictions from region to region. I am incredibly proud of our ability to enact plans to move to minimum staffing levels on-site, implement work-from-home arrangements where feasible and increase social distancing to keep our team members safe while maintaining our operations.

As COVID-19 began to impact the world, manufacturing activity and transportation fell dramatically, and methanol demand declined. In the face of unprecedented uncertainty, we recognized that decisive action was needed to ensure that our business could withstand a challenging period while preserving financial flexibility for the future. We made difficult decisions to reduce our dividend, put our Geismar 3 project on temporary care and maintenance, and reduce maintenance capital and operational spending. These actions, and issuance of additional debt, enabled us to sustain our business and significantly improve our liquidity and financial flexibility.

Our "One Team" culture is an often underappreciated aspect of our business. Our culture brings our global capabilities to life. Focused on collaboration, teamwork and trust, it empowers us to work together across departments and regions to achieve the same goal. In 2020, we saw our culture's real value as we faced the many challenges of working through a pandemic. Our group in China was the first to experience the impact of COVID-19, and we were able to draw on our early experience there to help prepare our people in other locations across the world.

I want to share a couple of examples across Methanex where we worked together to ensure that our operations remained safe and reliable.

In Egypt, our team implemented a sequestration work plan to ensure safety. After a series of negative COVID-19 test results, essential staff remained sequestered at our plant site over two week cycles. This approach created a safe "bubble" within the plant as only people who tested negative were allowed inside. Our team members quickly embraced the challenge of keeping our plant site safe, transforming offices into living quarters and the cafeteria into a recreation room to maintain positive health and mental well-being. These efforts enabled us to continue producing methanol and delivering reliable supply to our customers in Egypt and the Mediterranean while protecting our team members' health and safety.

We also completed planned maintenance turnarounds in Trinidad at our Atlas facility and in Alberta at our Medicine Hat facility in 2020. Turnarounds that typically require over 1,000 people, and close collaboration between on-site team members and global experts from our team and vendors, had to be carefully reshaped under the conditions of COVID-19. The pandemic challenged us to innovate and find new ways to carry out our operations. We added additional safety protocols, reduced the number of people on-site at a given time and leveraged virtual tools to bring the expertise we needed to our locations and to successfully complete the turnarounds.

We often talk about the value that our resilient business model and financial flexibility bring to our Company. These attributes helped us chart a safe course through a challenging year, enabled us to maintain our position as the supplier of choice to customers worldwide, and ultimately make us a stronger company.

Looking ahead to 2021 and beyond: Committed to our long-term strategy

Methanol is a chemical building block required to manufacture many consumer and industrial items. It's used to make chemicals that form the basis of products used to construct and insulate our homes, in automotive components to make cars lighter and improve fuel efficiency, and in the electronic technology we rely on to stay connected. Methanol also has numerous energy-related applications, and methanol demand benefited from increased driving and travel as economies began opening up over the second half of the year. Given methanol's essential role in countless consumer and industrial applications – and its importance as a clean-burning and economical fuel – we fully expect that methanol demand will rebound as the global economy recovers.

We are encouraged by signs of continued improvement in methanol demand and prices. However, we are cautious in the near-term as multiple variants of the virus that causes COVID-19 continue to emerge worldwide. We remain focused on preserving liquidity and financial flexibility. We ended the year with over $800 million in cash, an undrawn $300 million revolving credit facility and no debt maturities until the end of 2024.

Our disciplined capital allocation strategy has not changed. Over the long-term, we believe we are well-positioned to meet our financial commitments, pursue attractive growth opportunities that exceed our hurdle rate and deliver on our commitment to return excess cash to shareholders through dividends and share repurchases.

A key focus for us in 2021 will be deciding on the next step for our Geismar 3 project. I have said many times that this is a unique project with significant capital and operating cost advantages. We have a robust decision-making process for evaluating the project. Before deciding whether to restart construction, management and our Board will carefully consider many factors, including the strength of the global economic recovery and the overall methanol industry outlook, the Company's financial position and our ability to execute on the project.

Many people have asked me what we learned as a Company throughout the COVID-19 pandemic. First, it's clear to me that our resilient business model, based on Methanex's singular focus on methanol and our strategy of global industry leadership, low cost and operational excellence, has helped us navigate a very challenging year. Ultimately, what makes all this work is our incredible team of people and I think each and every one of us has felt grateful for being part of this talented group of individuals from around the world. We kept each other safe and fulfilled our commitment to deliver reliable methanol supply to our customers and to create value for our shareholders over the long term.

As we look towards a path to economic recovery, we remain committed to creating value through our leadership in the global production and delivery of methanol to customers. I want to thank our team members, customers, vendors and investors who have been with us during this challenging year. We look forward to brighter days ahead.

John Floren
President & Chief Executive Officer

Chair's Message to Shareholders

DEAR FELLOW SHAREHOLDERS,

As I write this letter, mass COVID-19 vaccinations are starting across much of the world and I feel both grateful and hopeful. Grateful to health-care professionals and other front-line workers for showing exceptional courage and resilience, and hopeful that the worst of the COVID-19 pandemic will soon be behind us. I am also grateful and thankful for our Methanex team members, who have performed admirably during this most difficult of years by ensuring a safe working environment at each of our global operations. In 2020, we were able to demonstrate how our relentless focus on safety is a competitive advantage that enables us to keep our team members safe, execute key maintenance projects in a difficult environment, maintain stable operations and reliably deliver product to customers.

As a Board that has stewarded Methanex over many commodity cycles, we are acutely aware of the importance of financial flexibility, which is a key pillar of Methanex's strategy and decision-making process. In 2020, the rationale for this approach could not have been more evident. The COVID-19 pandemic impacted economic activity and commodity markets across the world. Global methanol demand declined significantly, methanol prices fell to levels not seen in many years and low prices persisted throughout much of 2020.

The Board and management worked together closely to ensure Methanex responded swiftly to the impacts of the pandemic. In April, the Board refocused its goals to react to the sudden change in business circumstances. Oversight of the health and safety of team members remained the number one priority. Oversight of the Company's cash flow and balance sheet was a close second. To that end, the Board approved a substantial cut to the Company's dividend and management's plan to defer and reduce certain maintenance capital and operating expenditures. It also approved the decision to place the Company's Geismar 3 project on care and maintenance for a period of up to 18 months and the issuance of $700 million in new bonds to enhance financial flexibility. Many of these decisions were difficult but necessary under the circumstances. The agility and risk mitigation built into our strategic planning process, together with the resilience of our business and people, helped Methanex navigate through these unprecedented times.

While methanol prices recovered in Q4 2020 and remain healthy in Q1 2021, the near-term global economic outlook and impact of the COVID-19 pandemic remains uncertain. The Board and management team will continue to apply the same disciplined planning and decision-making processes that have enabled Methanex to execute on its capital allocation strategy and continue delivering value to shareholders over the long term.

In 2021, management and the Board will thoroughly examine all options before making a decision on the next steps for the Geismar 3 project. The Board has a robust decision-making process in place that draws on the varied skills of its directors, the knowledge and expertise of management and, where appropriate, third-party experts. We will closely examine the methanol supply and demand balance and the long-term fundamentals of the industry. The Company's financial position, the methanol price outlook and our ability to execute will also be key considerations in whether we approve the restart of construction on the project. Above all, when making this decision, the Board will continue to act in the long-term interest of the Company.

In 2020, the Board continued its renewal process to ensure it has the right mix of skills now and in the future. To this end, we were pleased to welcome Leslie O'Donoghue, a former senior executive of Nutrien Ltd., to the Methanex Board. Today, 11 of the 12 board members are independent directors, eight of whom have a tenure of six years or less, reflecting our desire for a healthy balance of experience, continuity and new perspectives. The Board also continues to show its support of diversity and inclusion. Five of Methanex's 12 directors (or 42%) are women and, moreover, the Board recently set a target that each gender comprises at least 30% of the directors of the Board. This target is just a formal recognition of the Board's efforts to ensure gender diversity during its renewal process.

Finally, I would like to take this opportunity to thank Janice Rennie who will not be standing for re-election to the Board this year. Janice was appointed to the Board in 2006 and has consistently provided sterling advice as both the Chair of the Human Resources Committee and as a member of the Audit, Finance and Risk Committee. Her knowledge of public company governance and ability to understand the key business issues facing Methanex has been a great asset to the Board. On behalf of the Board and management team, I wish her the best in the future.

DArnell

Doug Arnell
Chair of the Board

Management's Discussion and Analysis

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This Management's Discussion and Analysis ("MD&A") is dated March 5, 2021 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2020. Except where otherwise noted, the financial information presented in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). We use the United States dollar as our reporting currency and, except where otherwise noted, all currency amounts are stated in United States dollars. In this MD&A, a reference to the "Company" refers to Methanex Corporation and a reference to "Methanex", "we", "our" and "us" refers to the Company and its subsidiaries or any one of them as the context requires, as well as their respective interests in joint ventures and partnerships.

As at March 4, 2021, we had 76,209,280 common shares issued and outstanding and stock options exercisable for 1,518,025 additional common shares.

Additional information relating to Methanex, including our Annual Information Form, is available on our website at www.methanex.com, the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov.

OVERVIEW OF THE BUSINESS

Methanol is a clear liquid commodity chemical that is predominantly produced from natural gas and is also produced from coal, particularly in China. Traditional chemical demand, which represents over 50% of global methanol demand, is used to produce traditional chemical derivatives, including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a wide variety of industrial and consumer products. Demand for energy-related applications, which represents just under 50% of global methanol demand, includes a number of applications including methanol-to-olefins ("MTO"), methyl tertiary-butyl ether ("MTBE"), fuel applications (including vehicle fuel, marine fuel and as a fuel for industrial boilers and kilns), di-methyl ether ("DME") and biodiesel.

We are the world's largest producer and supplier of methanol to the major international markets in Asia Pacific, North America, Europe and South America. Our total annual operating capacity, including Methanex's interests in jointly owned plants, is currently 9.2 million tonnes and is located in New Zealand, the United States, Trinidad, Chile, Egypt, and Canada. In addition to the methanol produced at our sites, we purchase methanol produced by others under methanol offtake contracts and on the spot market. This gives us flexibility in managing our supply chain while continuing to meet customer needs and support our marketing efforts. We have marketing rights for 100% of the production from the jointly-owned plants in Trinidad and Egypt, which provides us with an additional 1.3 million tonnes per year of methanol offtake supply when the plants are operating at full capacity.

Refer to the *Production Summary* section on page 11 for more information.

2020 Industry Overview & Outlook

Methanol is a global commodity and our earnings are significantly affected by the price of methanol, which is directly impacted by changes in methanol supply and demand. Based on the diversity of end products in which methanol is used, demand for methanol is driven by a number of factors including: strength of global and regional economies, industrial production levels, energy prices, pricing of end products and government regulations and policies. Methanol industry supply is impacted by the cost of production, methanol industry operating rates and new methanol industry capacity additions.

Demand

We believe that traditional chemical demand is influenced by the strength of global and regional economies and industrial production levels. We believe that demand for energy-related applications will be influenced by energy prices, pricing of end products and government regulations and policies. The future operating rates and methanol consumption of MTO producers will depend on a number of factors including pricing for their various final products, the degree of downstream integration of these units with other products, the impact of olefin industry feedstock costs, including naphtha, on relative competitiveness and plant maintenance schedules.

In 2020, global methanol demand began to recover in the second half of the year after falling significantly in the first half due to impacts from the COVID-19 pandemic and lower oil price environment. We estimate that global methanol demand totaled approximately 82 million tonnes in 2020, reflecting a 3% decrease compared to 2019.

Traditional chemical demand declined by approximately 5% year-over-year due to lower manufacturing activity due to impacts from the COVID-19 pandemic. Demand into energy-related applications was flat year-over-year. Strong demand into methanol-to-olefins applications was offset by a decline in other energy-related applications, including MTBE and other fuel applications, which were impacted by a decline in ground transportation and fuel demand due to COVID-19.

Growing interest in clean-burning fuels and regulatory changes are playing an increasing role in encouraging new applications for methanol as a fuel due to its lower emissions.

Methanol as a Marine Fuel

There is growing interest in methanol as a marine fuel given its environmental benefits, wide availability, cost competitiveness and successful and safe use today. Methanol significantly reduces emissions of sulphur oxides (“SOx”), nitrogen oxides (“NOx”) and particulate matter, and with the ability to be produced from renewable sources, offers a pathway to meeting future emissions regulations without further shipowner investment. Approximately 60% of our long-term shipping fleet, or 19 vessels in total, will have the capability to run on methanol by 2023.

We continue to support various pilot projects, including opportunities with cruise ships, ferries, tug boats and barges and the development of operational and safety standards to support the commercialization of methanol as a marine fuel.

In China, Methanex has partnered with the China Waterborne Transportation Research Institute (“CWTRI”), the think-tank of the Ministry of Transport, that is evaluating the technical and operational requirements for the use of methanol as a marine fuel.

Methanol as a Vehicle Fuel

There is growing interest in methanol as a vehicle fuel due to its emissions benefits. Methanol can be blended with gasoline in low-quantities and used in existing vehicles, and can be used in high-proportion blends such as M85 in flex-fuel vehicles or M100 in dedicated methanol-fueled vehicles. In 2019, a number of Chinese government ministries published “Guidelines to Promote Methanol Vehicles in China” to expedite the development of methanol vehicles. We are pleased to see significant interest in high-level methanol fuel blends for M100 taxis (able to run on 100% methanol fuel) in China. There are approximately 25,000 taxis in China, representing approximately 500,000 tonnes of methanol demand, running on M100 fuel. Several other countries are in the assessment or near-commercial stage for using methanol as a vehicle fuel.

Methanol as an Industrial Boiler Fuel

In China, stricter air quality emissions regulations in several provinces are leading to a phase-out of coal-fueled industrial boilers and industrial kilns in favour of cleaner fuels, creating a growing market for methanol as an alternative fuel. Methanol offers a competitive fuel cost, and as a liquid fuel, requires only a moderate infrastructure investment. We estimate that this growing demand segment already represents approximately two million tonnes of methanol demand. We continue to support various pilot projects and the development of operational and safety standards to support the commercialization of methanol as an industrial boiler and kiln fuel.

Supply

Methanol is predominantly produced from natural gas and is also produced from coal, particularly in China. The cost of production is influenced by the availability and cost of raw materials, including coal and natural gas, as well as freight costs, capital costs and government policies. An increase in economically competitive methanol supply, all else equal, can displace supply from higher cost producers and have a negative impact on methanol price.

Approximately four million tonnes of new annualized capacity, including existing capacity expansions, outside of China was introduced in 2020, including the Bushehr (1.65 million tonnes) and Kimiya Pars (1.65 million tonnes) plants in Iran and the Caribbean Gas Chemical Limited (1.0 million tonnes) plant in Trinidad. In China, we estimate that approximately three million tonnes of new production capacity was added in 2020, excluding methanol production that is integrated with production of other downstream products. Global methanol supply operated at lower rates in 2020 as a result of plant shutdowns to respond to lower methanol demand as well as numerous planned and unplanned outages.

Over the next few years, we expect the majority of large-scale capacity additions outside of China to be in the Americas and the Middle East. In Louisiana, Koch Methanol Investments is expected to complete a 1.7 million tonne methanol plant in 2021. There are other large-scale projects under discussion in North America; however, we believe that none have yet reached a final investment decision. We continue to monitor a number of projects in Iran that are at various stages of construction. We anticipate some continued capacity additions in China over the near-to-medium term. We expect that new capacity in China will be consumed in that country.

Price

The methanol business is a highly competitive commodity industry and future methanol prices will ultimately depend on the strength of global demand and methanol industry supply. Methanol demand and industry supply are driven by a number of factors as described above. Methanol prices have historically been, and are expected to continue to be, characterized by cyclicality.

Methanex's average realized price in 2020 was $247 per tonne compared to $295 per tonne in 2019. Lower methanol pricing in 2020 primarily resulted from the impact of COVID-19 on the global economy.

OUR STRATEGY

Our primary objective is to create value through our leadership in the global production, marketing and delivery of methanol to customers. To achieve this objective we have a simple, clearly defined strategy: global leadership, low cost and operational excellence. We also pride ourselves in being a leader in Responsible Care (an operating ethic and set of principles for sustainability developed by the Chemistry Industry Association of Canada and recognized by the United Nations) to manage issues related to employee health and safety, environmental protection, community involvement, social responsibility, sustainability, security and emergency preparedness. Our brand differentiator "*The Power of Agility*®" defines our culture of flexibility, responsiveness and creativity that allows us to capitalize on opportunities quickly as they arise, and swiftly respond to customer needs.

Global Leadership

Global leadership is a key element of our strategy. We are focused on creating value through our position as the major producer and supplier in the global methanol industry, improving our ability to cost-effectively deliver methanol to customers and supporting both traditional and energy-related global methanol demand growth.

We are the leading producer and supplier of methanol to the major international markets in Asia Pacific, North America, Europe and South America. Our 2020 sales volume of 10.7 million tonnes of methanol represented approximately 13% of global methanol demand. This scale allows us the flexibility to meet customer needs across international markets. Our leadership position has also enabled us to play an important role in the methanol industry, which includes publishing Methanex reference prices that are used in each major market as the basis of pricing for our customer contracts.

The geographically diverse locations of our production sites allow us to deliver methanol cost-effectively to customers in all major global markets. We continue to invest in global distribution and supply infrastructure, which includes a fleet of ocean-going vessels and terminal capacity in all major international markets, enabling us to enhance value to customers by providing reliable and secure supply.

A key component of our global leadership strategy is the scale of our asset position with 9.2 million tonnes of operating capacity.

Another key component of our global leadership strategy is our ability to supplement methanol production with methanol purchased from third parties to give us flexibility in our supply chain to meet customer commitments. We purchase methanol through a combination of methanol offtake contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply chain infrastructure, which allows us to purchase methanol in the most cost-effective region while still maintaining overall security of supply.

The Asia Pacific region continues to lead global methanol demand growth and we have invested in and enhanced our presence in this important region. We have storage capacity in China, South Korea and Japan that allows us to cost-effectively manage supply to customers and we have offices in Shanghai, Beijing, Hong Kong, Tokyo, and Seoul to enhance customer service and industry positioning in the region. This enables us to participate in and improve our knowledge of the rapidly evolving and growing methanol markets in China and other Asian countries. Our expanding presence in Asia Pacific has also helped us identify several opportunities to support the development of applications for methanol in the energy-related sector and applications aimed to promote the use of clean-burning fuels.

Low Cost

A low cost structure is an important competitive advantage in a commodity industry and is a key element of our strategy. Our approach to major business decisions is guided by a drive to improve our cost structure and create value for shareholders. The most significant components of total costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

We manage our natural gas costs in two ways: through gas contracts linked to methanol price and through fixed price contracts. Our production facilities outside North America are largely underpinned by natural gas purchase agreements where the natural gas price is linked to methanol prices. This pricing relationship enables these facilities to be competitive throughout the methanol price cycle. This contract structure significantly reduced our costs in 2020 in line with lower methanol pricing. In North America, we have fixed price contracts and hedges in place for our Geismar and Medicine Hat facilities with a higher proportion of our gas requirements at fixed prices in the near-term, with the fixed proportion gradually declining as contracts expire. In the near-term, approximately 70% of our North American gas requirements are contracted at fixed prices. We purchase our remaining North American gas requirements through the spot market.

Our production facilities are well located to supply global methanol markets. Nonetheless, the cost to distribute methanol from production locations to customers is a significant component of total operating costs. These include costs for ocean shipping, in-market storage facilities and in-market distribution. We focus on identifying initiatives to reduce these costs, including optimizing the use of our shipping fleet, third-party backhaul arrangements and taking advantage of prevailing conditions in the shipping market by varying the type and term of ocean vessel contracts. We also look for opportunities to leverage our global asset position by entering into geographic product exchanges with other methanol producers to reduce distribution and transportation costs.

Operational Excellence

We maintain a focus on operational excellence in all aspects of our business. This includes excellence in manufacturing and supply chain processes, marketing and sales, Responsible Care and financial management.

To differentiate ourselves from competitors, we strive to be the best operator and the preferred supplier to customers. We believe that reliability of supply is critical to the success of our customers' businesses and our goal is to deliver methanol reliably and cost-effectively. Our commitment to Responsible Care drives our commitment to adhere to the highest principles of health, safety, environmental stewardship, and social responsibility. We believe this commitment helps us achieve an excellent overall environmental and safety record and aligns our community involvement and social investments with our core values.

Product stewardship is a vital component of a Responsible Care culture and guides our actions through the complete life cycle of our product. We aim for the highest safety standards to minimize risk to employees, customers and suppliers as well as to the environment and the communities in which we do business. We promote the proper use and safe handling of methanol at all times through a variety of internal and external health, safety and environmental initiatives, and we work with industry colleagues to improve safety standards. We readily share technical and safety expertise with key stakeholders, including customers, end-users, suppliers, logistics providers and industry associations for methanol and methanol applications through active participation in local and international industry associations, seminars and conferences and online education initiatives.

In 2020, our strategy of operational excellence in financial management focused on the liquidity and financial flexibility of the Company to withstand the economic uncertainty accompanying COVID-19 including a challenging methanol price environment. As at December 31, 2020, we had strong liquidity with over $800 million in cash and a $300 million undrawn credit facility, with no bonds due until end of 2024. We actively manage our liquidity and capital structure in light of changes to economic conditions, the underlying risks inherent in our operations and the capital requirements of our business. We have maintained healthy financial capacity and ensured flexibility to navigate the current environment and emerge stronger over the cycle as conditions improve.

FINANCIAL HIGHLIGHTS

($ Millions, except as noted)	**2020**	2019
Production (thousands of tonnes) (attributable to Methanex shareholders)	**6,614**	7,589
Sales volume (thousands of tonnes)		
Methanex-produced methanol	**6,704**	7,611
Purchased methanol	**2,994**	2,492
Commission sales	**1,042**	1,031
Total sales volume[1]	**10,740**	11,134
Methanex average non-discounted posted price ($ per tonne)[2]	**297**	353
Average realized price ($ per tonne)[3]	**247**	295
Revenue	**2,650**	3,284
Adjusted revenue[4]	**2,399**	2,988
Net income (loss) (attributable to Methanex shareholders)	**(157)**	88
Adjusted net income (loss)[4]	**(123)**	71
Adjusted EBITDA[4]	**346**	566
Cash flows from operating activities	**461**	515
Basic net income (loss) per common share ($ per share)	**(2.06)**	1.15
Diluted net income (loss) per common share ($ per share)	**(2.06)**	1.01
Adjusted net income (loss) per common share ($ per share)[4]	**(1.62)**	0.93
Common share information (millions of shares)		
Weighted average number of common shares	**76**	77
Diluted weighted average number of common shares	**76**	77
Number of common shares outstanding, end of year	**76**	76

1 Methanex-produced methanol represents our equity share of volume produced at our facilities and excludes volume marketed on a commission basis related to 36.9% of the Atlas facility and 50% of the Egypt facility that we do not own.

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, excluding commissions earned and the Egypt non-controlling interest share of revenue, but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced and purchased methanol.

4 The Company has used the terms Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue, and Operating income (loss) throughout this document. These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures* section on page 40 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

PRODUCTION SUMMARY

The following table details the annual operating capacity and actual production at our facilities in 2020 and 2019:

(Thousands of tonnes)	Annual operating capacity[1]	**2020 Production**	2019 Production
New Zealand[2]	2,200	**1,672**	1,865
USA (Geismar)[3]	2,000	**2,040**	1,929
Trinidad (Methanex interest)[4]	2,000	**998**	1,743
Chile	1,720	**836**	1,050
Egypt (50% interest)	630	**578**	392
Canada (Medicine Hat)	600	**490**	610
	9,150	**6,614**	7,589

1 Annual operating capacity reflects, among other things, average expected plant outages, turnarounds, average age of the facility's catalyst, and access to CO_2 from external suppliers for certain facilities. The operating capacity of our production facilities may be higher or lower than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities and expected feedstock composition. Actual production for a facility in any given year may be higher or lower than operating capacity due to a number of factors, including natural gas composition or the age of the facility's catalyst.

2 The operating capacity of New Zealand is made up of the two Motunui facilities and the Waitara Valley facility. The New Zealand facilities are capable of producing up to 2.4 million tonnes annually, depending on natural gas composition and availability. Annual Operating Capacity is currently 2.2 million tonnes based on the the natural gas composition expected for the foreseeable future. The Waitara Valley plant is currently idled indefinitely due to natural gas availability. (refer to the *New Zealand* section below).

3 For 2020, our operating capacity in Geismar is 2.0 million tonnes. In the fourth quarter of 2020, we completed the debottlenecking project at our Geismar 1 facility and in 2021, we will complete the debottlenecking project at our Geismar 2 facility. As a result, our operating capacity will increase by 0.2 million tonnes to 2.2 million tonnes.

4 The operating capacity of Trinidad is made up of the Titan (100% interest) and Atlas (63.1% interest) facilities. The Titan plant is currently idled indefinitely. (refer to the *Trinidad* section below).

New Zealand

In New Zealand, we produced 1.7 million tonnes of methanol in 2020 compared with 1.9 million tonnes in 2019. Production for 2020 was lower than 2019 due to lower gas deliveries.

Leading into 2021, our outlook for New Zealand production is uncertain as our gas suppliers have recently advised that a major offshore gas field which supplies the New Zealand market and underpins a portion of our production, has experienced significant and unexpected production declines, which will result in lower gas deliveries. Given that gas deliveries are expected to be lower in 2021, we are consolidating production at our two larger Motunui plants, which have a combined operating capacity of 1.7 million tonnes, and indefinitely idling our smaller Waitara Valley plant. We estimate production in 2021 of 1.5 to 1.6 million tonnes compared to our production of 1.7 million tonnes in 2020. Refer to the *Risk Factors and Risk Management – New Zealand* section on page 28 for more information.

United States

Geismar produced 2.0 million tonnes of methanol in 2020 compared with 1.9 million tonnes in 2019. Production at the Geismar site was higher for 2020 compared with 2019 primarily due to the 2019 planned turnaround at Geismar 1. Additionally, Geismar produced at high operating rates throughout 2020, with Geismar 1 realizing the benefits of the debottlenecking project completed in late 2020. Refer to the *Risk Factors and Risk Management – United States* section on page 29 for more information.

Trinidad

Our ownership interest in the methanol facilities in Trinidad represents 2.0 million tonnes of annual operating capacity. The Trinidad facilities produced 1.0 million tonnes of methanol (Methanex share) in 2020 compared with 1.7 million tonnes in 2019. Production in Trinidad was lower in 2020 as we idled the Titan plant effective March 16, 2020 in response to the reduction in global manufacturing activity and methanol demand resulting from the global pandemic. In January 2021, we announced that we expect Titan will remain idled indefinitely as we have not been successful in reaching an agreement for a commercially acceptable longer-term natural gas supply agreement.

Based on current gas deliveries, we estimate Trinidad production in 2021 of approximately 1.1 million tonnes (Methanex share) compared to our production of 1.0 million tonnes (Methanex share) in 2020. All 2021 production is expected to come from the Atlas facility. Refer to the *Risk Factors and Risk Management – Trinidad* section on page 29 for more information.

Chile

The Chile facilities produced 0.8 million tonnes of methanol in 2020 compared to 1.1 million tonnes in 2019. Production decreased in 2020 as compared to 2019 as we idled the Chile IV plant effective April 1, 2020 in response to the reduction in manufacturing activity and methanol demand resulting from the global pandemic, and then due to lower gas deliveries resulting from upstream production declines in Argentina in the fourth quarter. Our Chile IV plant remains idle today and it is uncertain how long these lower gas deliveries will persist. We estimate production in 2021 of 0.9 to 1.0 million tonnes. Refer to the *Risk Factors and Risk Management - Chile* section on page 29 for more information.

Egypt

We operate the 1.3 million tonne per year methanol facility in Egypt, that we have a 50% economic interest in, and have marketing rights for 100% of the production. We produced 1.2 million tonnes of methanol (Methanex share of 0.6 million) at the plant during 2020, compared to 0.8 million tonnes (Methanex share of 0.4 million) in 2019. Production for 2020 was higher compared to 2019 as the Egypt facility operated at high rates throughout 2020 as compared to 2019, when the facility experienced an outage in April 2019 and remained offline until August 2019 for inspections and repair work. Refer to the *Risk Factors and Risk Management – Egypt* section on page 30 for more information.

Canada

Medicine Hat produced 0.5 million tonnes of methanol in 2020 compared with 0.6 million tonnes in 2019. Production at Medicine Hat was lower for 2020 compared to 2019 as we completed a planned turnaround in 2020. Refer to the *Risk Factors and Risk Management – Canada* section on page 30 for more information.

HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment – the production and sale of methanol. We review our financial results by analyzing changes in the components of Adjusted EBITDA, mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses, and income taxes.

The Company has used the terms Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue and Operating income (loss) throughout this document. These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures* section on page 40 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

In addition to the methanol that we produce at our facilities, we also purchase and resell methanol produced by others and we sell methanol on a commission basis. We analyze the results of all methanol sales together, excluding commission sales volume. The key drivers of changes in Adjusted EBITDA are average realized price, cash costs and sales volume, which are defined and calculated as follows:

PRICE	The change in Adjusted EBITDA as a result of changes in average realized price is calculated as the difference from period to period in the selling price of methanol multiplied by the current period total methanol sales volume, including produced and purchased methanol and excluding commission sales volume, plus the difference from period to period in commission revenue.
CASH COSTS	The change in Adjusted EBITDA as a result of changes in cash costs is calculated as the difference from period to period in cash costs per tonne multiplied by the current period total methanol sales volume including produced and purchased methanol and excluding commission sales volume in the current period. The cash costs per tonne is the weighted average of the cash cost per tonne of Methanex-produced methanol and the cash cost per tonne of purchased methanol. The cash cost per tonne of Methanex-produced methanol includes absorbed fixed cash costs per tonne and variable cash costs per tonne. The cash cost per tonne of purchased methanol consists principally of the cost of methanol itself. In addition, the change in Adjusted EBITDA as a result of changes in cash costs includes the changes from period to period in unabsorbed fixed production costs, consolidated selling, general and administrative expenses and fixed storage and handling costs.
SALES VOLUME	The change in Adjusted EBITDA as a result of changes in sales volume is calculated as the difference from period to period in total methanol sales volume, excluding commission sales volume, multiplied by the margin per tonne for the prior period. The margin per tonne for the prior period is the weighted average margin per tonne of Methanex-produced methanol and margin per tonne of purchased methanol. The margin per tonne for Methanex-produced methanol is calculated as the selling price per tonne of methanol less absorbed fixed cash costs per tonne and variable cash costs per tonne. The margin per tonne for purchased methanol is calculated as the selling price per tonne of methanol less the cost of purchased methanol per tonne.

We own 63.1% of the Atlas methanol facility and market the remaining 36.9% of its production through a commission offtake agreement. A contractual agreement between us and our partners establishes joint control over Atlas. As a result, we account for this investment using the equity method of accounting, which results in 63.1% of the net assets and net earnings of Atlas being presented separately in the consolidated statements of financial position and consolidated statements of income (loss), respectively. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share and Adjusted revenue include an amount representing our 63.1% equity share in Atlas. Our analysis of depreciation and amortization, finance costs, finance income and other expenses, and income taxes is consistent with the presentation of our consolidated statements of income (loss) and excludes amounts related to Atlas.

We own 50% of the Egypt methanol facility and market the remaining 50% of its production through a commission offtake agreement. We account for this investment using consolidation accounting as we have greater than 50% voting control, which results in 100% of the revenues and expenses being included in our financial statements. We also consolidate less than wholly-owned entities for which we have a controlling interest. Non-controlling interests are included in the Company's consolidated financial statements and represent the non-controlling shareholders' interests in the Egypt methanol facility and any entity where we have control. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share and Adjusted revenue exclude the amounts associated with non-controlling interests.

FINANCIAL RESULTS

For the year ended December 31, 2020, we reported a net loss attributable to Methanex shareholders of $157 million ($2.06 loss per common share on a diluted basis), compared with net income attributable to Methanex shareholders of $88 million ($1.01 income per common share on a diluted basis) for the year ended December 31, 2019.

For the year ended December 31, 2020, we reported Adjusted EBITDA of $346 million and Adjusted net loss of $123 million ($1.62 Adjusted net loss per common share), compared with Adjusted EBITDA of $566 million and Adjusted net income of $71 million ($0.93 Adjusted net income per common share) for the year ended December 31, 2019.

We calculate Adjusted EBITDA and Adjusted net income (loss) by including amounts related to our equity share of the Atlas facility (63.1% interest) and by excluding the non-controlling interests' share, the mark-to-market impact of share-based compensation as a result of changes in our share price and the impact of certain items associated with specific identified events. For 2019 and 2020, there have been no specifically identified events impacting Adjusted EBITDA or Adjusted net income (loss).

A reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted net income (loss) and the calculation of Adjusted diluted net income (loss) per common share is as follows:

($ Millions, except number of shares and per share amounts)	**2020**	2019
Net income (loss) attributable to Methanex shareholders	**$ (157)**	$ 88
Mark-to-market impact of share-based compensation, net of tax	**34**	(17)
Adjusted net income (loss)	**$ (123)**	$ 71
Diluted weighted average shares outstanding (millions)	**76**	77
Adjusted net income (loss) per common share	**$ (1.62)**	$ 0.93

A summary of our consolidated statements of income (loss) for 2020 and 2019 is as follows:

($ Millions)	**2020**	2019
Consolidated statements of income (loss):		
Revenue	**$ 2,650**	$ 3,284
Cost of sales and operating expenses	**(2,355)**	(2,800)
Egypt insurance recovery	**10**	50
Mark-to-market impact of share-based compensation	**39**	(18)
Adjusted EBITDA (attributable to associate)	**72**	115
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	**(70)**	(65)
Adjusted EBITDA (attributable to Methanex shareholders)	**346**	566
Mark-to-market impact of share-based compensation	**(39)**	18
Depreciation and amortization	**(357)**	(344)
Finance costs	**(165)**	(124)
Finance income and other expenses	**–**	4
Income tax recovery (expense)	**62**	(4)
Earnings of associate adjustment[1]	**(42)**	(64)
Non-controlling interests adjustment[1]	**38**	36
Net income (loss) attributable to Methanex shareholders	**$ (157)**	$ 88
Net income (loss)	**$ (125)**	$ 116

[1] These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and income taxes associated with our 63.1% interest in the Atlas methanol facility and the non-controlling interests.

Revenue

There are many factors that impact our global and regional revenue. The methanol business is a global commodity industry affected by supply and demand fundamentals. Based on the diversity of end products in which methanol is used, demand for methanol is driven by a number of factors including: strength of global and regional economies, industrial production levels, energy prices, pricing of end products and government regulations and policies. Revenue was $2.7 billion in 2020 compared to $3.3 billion in 2019. The lower revenue reflects a lower average realized price in 2020 compared to 2019.

We publish regional non-discounted reference prices for each major methanol market and these posted prices are reviewed and revised monthly or quarterly based on industry fundamentals and market conditions. Most of our customer contracts use published Methanex reference prices as a basis for pricing, and we offer discounts to customers based on various factors. Our average non-discounted published reference price in 2020 was $297 per tonne compared with $353 per tonne in 2019. Our average realized price in 2020 was $247 per tonne compared to $295 per tonne in 2019.

Distribution of Revenue

The geographic distribution of revenue by customer location for 2020 was comparable to 2019 . Details are as follows:

($ Millions, except where noted)	2020		2019	
China	$ 828	31%	$ 998	30%
Europe	489	18%	635	19%
United States	419	16%	582	18%
South Korea	284	12%	320	11%
South America	270	10%	308	9%
Canada	118	4%	145	4%
Other Asia	242	9%	296	9%
	$ 2,650	100%	$ 3,284	100%

Adjusted EBITDA (Attributable to Methanex Shareholders)

2020 Adjusted EBITDA was $346 million compared with 2019 Adjusted EBITDA of $566 million, a decrease of $220 million. The key drivers of change in our Adjusted EBITDA are average realized price, sales volume and cash costs as described below (refer to the *How We Analyze Our Business* section on page 12 for more information).

($ Millions)	2020 vs. 2019
Average realized price	$ (468)
Sales volume	(28)
Total cash costs	276
Decrease in Adjusted EBITDA	$ (220)

Average Realized Price

Our average realized price for the year ended December 31, 2020 was $247 per tonne compared to $295 per tonne for 2019, and this decreased Adjusted EBITDA by $468 million (refer to the *Financial Results – Revenue* section on page 14 for more information).

Sales Volume

Methanol sales volume, excluding commission sales volume, for the year ended December 31, 2020 decreased by 0.4 million tonnes to 9.7 million tonnes from 10.1 million tonnes in 2019, and this decreased Adjusted EBITDA by $28 million. Including commission sales volume from the Atlas and Egypt facilities, our total methanol sales volume was 10.7 million tonnes in 2020 compared with 11.1 million tonnes in 2019. Sales volume was lower for 2020 compared to 2019 primarily due to the impact of COVID-19 on methanol demand globally.

Total Cash Costs

The primary drivers of change in our total cash costs are changes in the cost of Methanex-produced methanol and changes in the cost of methanol we purchase from others (“purchased methanol”). We supplement our production with methanol produced by others through methanol offtake contracts and purchases on the spot market to meet customer needs and support our marketing efforts in major global markets.

We apply the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in Methanex-produced and purchased methanol costs primarily depend on changes in methanol pricing, which impacts many of our natural gas price agreements, and the timing of inventory flows.

In a rising price environment, our margins at a given price are higher than in a stable price environment as a result of methanol purchases and production versus sales. Generally, the opposite applies when methanol prices are decreasing.

The changes in Adjusted EBITDA due to changes in total cash costs for 2020 compared with 2019 were due to the following:

($ Millions)	2020 vs. 2019
Methanex-produced methanol costs	$ 225
Proportion of Methanex-produced methanol sales	(58)
Purchased methanol costs	136
Logistics costs	(3)
Egypt insurance recovery	(20)
Other, net	(4)
Increase in Adjusted EBITDA due to changes in total cash costs	$ 276

Methanex-Produced Methanol Costs

Natural gas is the primary feedstock at our methanol facilities and is the most significant component of Methanex-produced methanol costs. We purchase natural gas for more than half of our production under natural gas purchase agreements where the unique terms of each contract include a base price and a variable price component linked to methanol revenue to reduce our commodity price risk exposure. The variable price component of each gas contract is adjusted by a formula linked to methanol sales prices above a certain level. This contract structure significantly reduced our costs in 2020 in line with lower methanol pricing. Methanex-produced methanol costs were lower in 2020 compared with 2019 by $225 million, primarily due to the impact of lower realized methanol prices on the variable portion of our natural gas costs, changes in spot gas prices and changes in the mix of production sold from inventory. For additional information regarding our natural gas supply agreements, refer to the *Liquidity and Capital Resources – Summary of Contractual Obligations and Commercial Commitments* section on page 23.

Proportion of Methanex-Produced Methanol Sales

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period, while a decrease in the proportion of Methanex-produced methanol will increase our cost structure. The proportion of Methanex-produced methanol sales decreased in 2020 due to lower production and this increased costs and decreased Adjusted EBITDA by $58 million for 2020 compared with 2019.

Purchased Methanol Costs

A key element of our corporate strategy is global leadership and, as such, we have built a leading market position in each of the major global markets where methanol is sold. We supplement our production with purchased methanol through methanol offtake contracts and on the spot market to meet customer needs and support our marketing efforts within the major global markets. In structuring purchase agreements, we look for opportunities that provide synergies with our existing supply chain that allow us to purchase methanol in the most cost effective region. The cost of purchased methanol consists principally of the cost of the methanol itself, which is directly related to the price of methanol at the time of purchase, and is also driven by the volume of methanol purchased. Lower methanol prices in 2020 and the timing of inventory flows and purchases, partially offset by the increase in purchased methanol volume, decreased the cost of purchased methanol per tonne and this increased Adjusted EBITDA by $136 million compared with 2019.

Logistics Costs

Our investment in global distribution and supply infrastructure includes a dedicated fleet of ocean-going vessels. We utilize these vessels to enhance value to customers by providing reliable and secure supply and to optimize supply chain costs overall, including through third-party backhaul arrangements when available. Logistics costs can also vary from period to period depending on the levels of production from each of our production facilities and the resulting impact on our supply chain. Logistics costs in 2020 were $3 million higher than in 2019, decreasing Adjusted EBITDA. Logistics costs were marginally higher due primarily to slightly lower backhaul recoveries.

Egypt Insurance Recovery

We experienced an outage at the Egypt plant from April to August 2019. In 2019, we recorded a $50 million (Methanex share - $25 million) insurance recovery which partially offsets repair costs charged to earnings and lost margins. We recorded an additional $10 million (Methanex share - $5 million) for final settlement in 2020, the difference resulting in a decrease in Adjusted EBITDA for 2020 compared to 2019.

Other, Net

Other, net relates to unabsorbed fixed costs, selling, general and administrative expenses and other operational items. For the year ended December 31, 2020 compared with the same period in 2019, other costs were higher by $4 million on a net basis, as lower selling, general, and administrative expenses were offset by higher unabsorbed costs primarily at idled plants.

Mark-to-Market Impact of Share-Based Compensation

We grant share-based awards as an element of compensation. Share-based awards granted include stock options, share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. For all share-based awards, share-based compensation is recognized over the related vesting period for the proportion of the service that has been rendered at each reporting date. Share-based compensation includes an amount related to the grant-date value and a mark-to-market impact as a result of subsequent changes in the Company's share price. The grant-date value amount is included in Adjusted EBITDA and Adjusted net income (loss). The mark-to-market impact of share-based compensation as a result of changes in our share price is excluded from Adjusted EBITDA and Adjusted net income (loss) and is analyzed separately.

($ Millions, except share price)	2020	2019
Methanex Corporation share price[1]	$ 46.08	$ 38.63
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income (loss)	16	14
Mark-to-market impact due to change in share price[2]	39	(18)
Total share-based compensation expense (recovery), before tax	$ 55	$ (4)

1 U.S. dollar share price of Methanex Corporation as quoted on the NASDAQ Global Select Market on the last trading day of the respective period.
2 For the periods presented, the mark-to-market impact on share-based compensation is primarily due to changes in the Methanex Corporation share price.

For stock options, the cost is measured based on an estimate of the fair value at the grant-date using the Black-Scholes option pricing model, and this grant-date fair value is recognized as compensation expense over the related vesting period with no subsequent re-measurement to fair value.

Share appreciation rights ("SARs") are non-dilutive units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price that is determined at the grant-date. Tandem share appreciation rights ("TSARs") give the holder the choice between exercising a regular stock option or a SAR. The fair value of SARs and TSARs are re-measured each quarter using the Black-Scholes option pricing model, which considers the market value of the Company's common shares on the last trading day of each quarter.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. Performance share units granted prior to 2018 have an additional feature where the ultimate number of units that vest will be determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting.

Performance share units granted in 2019 onwards reflect a new long-term incentive plan where units are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. Units vest over three years and include two performance factors: (i) relative total shareholder return of Methanex shares versus a specific market index (the market performance factor), and (ii) three year average Return on Capital Employed (the non-market performance factor). The market performance factor is measured by the Company at the grant date and each reporting date using a Monte-Carlo simulation model to determine fair value. The non-market performance factor reflects the actual Return on Capital Employed for historical periods and management's best estimate for forecast periods to determine the expected number of units to vest.

For deferred, restricted and performance share units, the cost of the service received as consideration is initially measured based on the market value of the Company's common shares at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. Deferred, restricted and performance share units are re-measured at each reporting date based on the market value of the Company's common shares with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date.

The price of the Company's common shares as quoted on the NASDAQ Global Select Market increased from $38.63 per share at December 31, 2019 to $46.08 per share at December 31, 2020. As a result of the increase in the share price and the resulting impact on the fair value of the outstanding units, we recorded an $39 million mark-to-market expense related to share-based compensation during 2020.

Depreciation and Amortization

Depreciation and amortization was $357 million for the year ended December 31, 2020 compared with $344 million for the year ended December, 31 2019. The increase in depreciation and amortization in 2020 compared with 2019 was primarily due to less depreciation in ending inventory at December 31, 2020 and higher vessel lease depreciation.

Finance Costs

($ Millions)	**2020**	2019
Finance costs before capitalized interest	**$ 168**	$ 127
Make-whole interest (early redemption of 2022 bonds)	**15**	–
Less capitalized interest	**(18)**	(3)
Finance costs	**$ 165**	$ 124

Finance costs are primarily comprised of interest on borrowings and lease obligations and were $165 million for the year ended December 31, 2020 compared to $124 million for the year ended December 31, 2019. Finance costs are higher due to a one time make-whole interest charge triggered by the early redemption of bonds originally due in 2022 and increased borrowings outstanding during 2020. The Company increased borrowings, including drawing and repaying its revolving credit facility within the year, primarily as a precautionary measure to increase liquidity in light of the uncertainty associated with the impacts of COVID-19. Capitalized interest relates to interest costs capitalized for the Geismar 3 project. Refer to the *Liquidity and Capital Resources* section of page 19 for more information.

Finance Income and Other Expenses

Finance income and other expenses was negligible for the year ended December 31, 2020 compared to a gain of $4 million December 31, 2019. Finance income and other expenses is primarily related to the impact of changes in foreign exchange rates, changes in interest earned on cash balances and well as immaterial disposals of assets.

Income Taxes

A summary of our income taxes for 2020 compared with 2019 is as follows:

($ Millions, except where noted)	**2020**		2019	
	Net Loss	**Adjusted Net Loss**	Net Income	Adjusted Net Income
Amount before income tax	**$ (187)**	**$ (169)**	$ 121	$ 102
Income tax recovery (expense)	**62**	**46**	(5)	(31)
Amount after income tax	**$ (125)**	**$ (123)**	$ 116	$ 71
Effective tax rate	**33%**	**27%**	4%	30%

We earn the majority of our income in New Zealand, Trinidad, the United States, Egypt, Canada and Chile. The statutory tax rates in Chile and Egypt increased in 2020 to 44.5% and 30%, respectively as a result of increases to the applicable withholding tax rate on foreign distributions. In Trinidad the statutory tax rate is 35%. The statutory tax rate in New Zealand is 28%. In Canada, the statutory tax rate applicable to Methanex is 25.6% and the United States statutory tax rate applicable to Methanex is 23%. We accrue for taxes that will be incurred upon distributions from subsidiaries when it is probable that the earnings will be repatriated. As the Atlas entity is accounted for using the equity method, any income taxes related to Atlas are included in earnings of associate and therefore excluded from total income taxes but included in the calculation of Adjusted net income (loss).

The effective tax rate related to Adjusted net loss was a 27% tax recovery for the year ended December 31, 2020 compared with a 30% tax expense on an Adjusted net income for the year ended December 31, 2019. Adjusted net income (loss) represents the amount that is attributable to Methanex shareholders and excludes the mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events. The effective tax rate differs from period to period depending on the source of earnings (losses) and the impact of foreign exchange fluctuations against the United States dollar on our tax balances. In periods with low income levels or losses, the distribution of income and loss between jurisdictions can result in income tax rates that are not indicative of the longer term corporate tax rate. In addition, the effective tax rate is impacted by changes in tax legislation in the jurisdictions in which we operate. The 2020 effective tax rate was lower than the 2019 effective tax rate primarily due to the re-measurement of deferred tax liabilities as a result of the statutory tax rate changes in Chile and Egypt applicable for 2020.

For additional information regarding income taxes, refer to note 16 of our 2020 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

A summary of our consolidated statements of cash flows is as follows:

($ Millions)	**2020**	2019
Cash flows from / (used in) operating activities:		
Cash flows from operating activities before changes in non-cash working capital	**$ 396**	$ 506
Changes in non-cash working capital	**65**	9
	461	515
Cash flows from / (used in) financing activities:		
Dividend payments	**(36)**	(108)
Interest paid	**(165)**	(115)
Repayment of long-term debt	**(296)**	(388)
Repayment of lease obligations	**(107)**	(102)
Payments for the repurchase of shares	**–**	(53)
Net proceeds on issue of long-term debt	**865**	696
Draw on revolving credit facility	**300**	–
Repayment of revolving credit facility	**(300)**	–
Equity contributions by / acquisitions of non-controlling interests	**(1)**	–
Proceeds from limited recourse debt	**13**	–
Distributions to non-controlling interests	**(35)**	(24)
Other	**(4)**	(10)
	234	(104)
Cash flows from / (used in) investing activities:		
Property, plant and equipment	**(129)**	(208)
Geismar plant under construction	**(213)**	(115)
Proceeds from sale of assets	**10**	–
Restricted cash for vessels under construction and plant construction from government grants	**2**	62
Changes in non-cash working capital relating to investing activities	**52**	10
	(278)	(251)
Increase in cash and cash equivalents	**417**	160
Cash and cash equivalents, end of year	**$ 834**	$ 417

Cash Flow Highlights

Cash Flows from Operating Activities

Cash flows from operating activities for the year ended December 31, 2020 were $461 million compared with $515 million for the year ended December 31, 2019. The decrease in cash flows from operating activities is primarily due to lower earnings partially offset by changes in non-cash working capital.

The following table provides a summary of these items for 2020 and 2019:

($ Millions)	**2020**	2019
Net income (loss)	**$ (125)**	$ 116
Deduct earnings of associate	**(30)**	(52)
Add dividends received from associate	**29**	56
Add (deduct) non-cash items:		
Depreciation and amortization	**357**	344
Income tax expense (recovery)	**(62)**	4
Share-based compensation expense (recovery)	**55**	(4)
Finance costs	**165**	124
Income taxes paid	**(3)**	(44)
Other	**10**	(38)
Cash flows from operating activities before changes in non-cash working capital	**396**	506
Changes in non-cash working capital:		
Trade and other receivables	**75**	26
Inventories	**(35)**	120
Prepaid expenses	**1**	(6)
Accounts payable and accrued liabilities, including long-term payables	**24**	(131)
	65	9
Cash flows from operating activities	**$ 461**	$ 515

For a discussion of the changes in net income (loss), depreciation and amortization, share-based compensation recovery and finance costs, refer to the *Financial Results* section on page 13.

Changes in non-cash working capital increased cash flows from operating activities by $65 million for the year ended December 31, 2020, compared with an increase of $9 million for the year ended December 31, 2019. Trade and other receivables decreased in 2020 and this increased cash flows from operating activities by $75 million, primarily due to the collection of the non-recurring insurance recovery receivable for our Egypt outage during 2020. Inventories increased primarily due to the impact of a higher proportion of purchased methanol volume compared to Methanex-produced methanol volume held at the end of 2020 compared to 2019, which decreased cash flows from operating activities by $35 million. Accounts payable and accrued liabilities increased in 2020 compared to 2019 due to the impact of higher methanol prices on purchased methanol in the fourth quarter of 2020 compared to the fourth quarter of 2019, which increased cash flows from operating activities by $24 million.

Cash Flows from Financing Activities

In April 2020 to preserve liquidity in response to the uncertainty from COVID-19, we reduced the dividend by 90% to $0.0375 per common share per quarter from $0.36 per common share per quarter. Total dividend payments in 2020 were $36 million compared with $108 million in 2019. Total interest payments in 2020 were $165 million compared with $115 million in 2019. The increase in interest payments in 2020 compared to 2019 was primarily due higher borrowing levels and a make-whole interest charge of $15 million in the third quarter of 2020 for the early redemption of the $250 million unsecured notes originally due March 2022.

In 2020, the Company issued $700 million of senior unsecured notes bearing a coupon of 5.125%, due October 15, 2027 to increase our cash position in the uncertain environment and enhance financial flexibility. The Company used the proceeds from the newly issued bond to repay our $250 million bond originally due in March 2022. The Company has no debt maturities until December 2024, other than normal course obligations for principal repayments related to our Egypt and other limited recourse debt facilities. Additionally, the Company drew $173 million from the $800 million construction credit facility for the Geismar 3 project and drew and repaid from the revolving credit facility in the year.

The Company also repaid debt of $30 million relating to our limited recourse Egypt debt facility and $10 million relating to other limited recourse debt facilities for ocean vessels. During the year, the Company also entered into and drew on a new vessel construction facility for $13 million.

Distributions to non-controlling interests including the 50% ownership of the Egypt entity and the 50% ownership in multiple ocean going vessels not attributable to Methanex were $35 million in 2020 compared to $24 million in 2019.

Cash Flows from Investing Activities

During 2020, we incurred capital expenditures relating to our consolidated operations of $129 million (2019 - $208 million) primarily related to planned turnarounds in Atlas and Medicine Hat, the debottleneck project at Geismar, and ongoing construction of one ocean going vessel. In addition, we incurred capital expenditures of $213 million (2019 - $115 million) related to the construction of the Geismar 3 project.

Liquidity and Capitalization

Our objective in 2020 in managing liquidity and capital was to provide financial capacity and flexibility to meet our strategic objectives, with a focus on cash preservation and liquidity.

The following table provides information on our liquidity and capitalization position as at December 31, 2020 and December 31, 2019:

($ Millions, except where noted)	2020	2019
Liquidity:		
Cash and cash equivalents	$ 834	$ 417
Undrawn credit facilities	300	300
Undrawn G3 construction facilities	627	800
Total liquidity	$ 1,761	$ 1,517
Capitalization:		
G3 construction facility	$ 176	$ –
Unsecured notes, including current portion	1,979	1,536
Egypt limited recourse debt facilities, including current portion	47	75
Other limited recourse debt facilities, including current portion	161	158
Total debt	2,363	1,769
Non-controlling interests	292	299
Shareholders' equity	1,149	1,332
Total capitalization	$ 3,804	$ 3,400
Total debt to capitalization[1]	62%	52%
Net debt to capitalization[2]	51%	45%

[1] Defined as total debt (including 100% of Egypt limited recourse debt facilities) divided by total capitalization.
[2] Defined as total debt (including 100% of Egypt limited recourse debt facilities) less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

We manage our liquidity and capital structure in light of changes to economic conditions, the underlying risks inherent in our operations and the capital requirements for the business. The strategies we have employed include the issue or repayment of general corporate debt, the issue of project debt, the payment of dividends and the repurchase of shares.

We are not subject to any statutory capital requirements and have no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options and TSARs.

We operate in a highly competitive commodity industry and believe that it is appropriate to maintain a strong balance sheet and maintain financial flexibility. As at December 31, 2020, we had a cash balance of $834 million, including $77 million of cash related to our Egypt entity consolidated on a 100% basis and $8 million of cash related to our joint venture interests in ocean going vessels consolidated on a 100% basis. 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.

As at December 31, 2020, our revolving credit facility is undrawn and we have $627 million remaining undrawn from our $800 million non-revolving construction credit facility for the Geismar 3 project. During 2020 we have secured additional financial flexibility by negotiating covenant relief and amending the terms of the revolving credit facility and non-revolving construction facility. Both facilities are with a syndicate of highly rated financial institutions and expire in July 2024.

We have covenant and default provisions under our long-term debt obligations and we also have certain covenants that could restrict access to our credit facilities. The covenants governing the unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding the Egypt entity, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or sale of all or substantially all of our assets. The indenture also contains customary default provisions. The significant covenants and default provisions under the two credit facilities include:

a) the obligation to maintain an EBITDA to interest coverage ratio of not less than or equal to 2:1 calculated on a four-quarter trailing basis, where for only one quarter during the term of the credit facility the ratio can be as low as, but not less than 1.25:1, and a debt to capitalization ratio of less than or equal to 57.5%, both calculated in accordance with definitions in the credit agreement that include adjustments related to the limited recourse subsidiaries;

b) a default if payment is accelerated by a creditor on any indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries; and

c) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

The credit facilities also include other customary covenants including restrictions on the incurrence of additional indebtedness, with specific restrictions against the sale or abandonment of the Geismar 3 project, as well as requirements associated with completion of plant construction and commissioning.

During the year ended December 31, 2020, the Company amended the terms of the committed revolving credit facility and the non-revolving construction facility for the Geismar 3 project, with the lenders agreeing to modify and waive certain covenants. As part of the amendments, the debt to capitalization ratio has been increased to 60% for all the measurement periods starting on June 30, 2020 and ending on June 30, 2023. Additionally, the minimum interest coverage ratio threshold was lowered or waived for each of the measurement periods starting June 30, 2020 and ending on December 31, 2021. The impact on the remaining periods for which the waivers apply is as follows:

Four quarters ended	Minimum interest coverage ratio[2]	Minimum EBITDA[1 2]
Q4 2020	not applicable	$25 million
Q1 2021	not applicable	$30 million
Q2 2021	not applicable	$70 million
Q3 2021	1.00x	not applicable
Q4 2021	1.25x	not applicable
Q1 2022 & thereafter	2.00x	not applicable

1 EBITDA is defined under the terms of the credit facilities.
2 The minimum EBITDA or minimum interest coverage ratio provision may be fully waived for any two of the remaining measurement periods until Q4 2021.

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

The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other shareholder distributions. Namely, shareholder distributions are not permitted unless the average gas deliveries over the prior 12 months are greater than 70% of gas nominations.

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

As at December 31, 2020, management believes the Company was in compliance with all significant terms and default provisions related to its long-term debt obligations.

Capital Projects

The Geismar 3 project is a 1.8 million tonne methanol plant budgeted for $1.3 to $1.4 billion, under construction in Geismar, Louisiana adjacent to our Geismar 1 and Geismar 2 plants with significant capital and operating cost advantages. In April 2020, we announced the deferral of approximately $500 million of the planned capital budget for the Geismar 3 project for up to 18 months, and put the project on temporary care and maintenance in response to the uncertainty in the global economy from the COVID-19 pandemic. At the time the deferral was announced, the project was in excellent shape and progress had been safe, on time and on budget and the project had been significantly de-risked. As at December 31, 2020, the project remains on temporary care and maintenance. We anticipate investing approximately $80 million over the next 9 months on costs that were already committed, completing activities that preserve flexibility to complete the project in the future including key engineering activities and procurement of critical path equipment. We have a robust decision making process and before deciding whether to restart construction, management and our Board will need to carefully consider many factors including the strength of the global economic recovery and methanol industry outlook. Our preference is to have a strategic partner for the project. To date, we have invested $365 million at Geismar 3, excluding capitalized interest of $22 million.

Our planned operational capital expenditures directed towards maintenance, turnarounds, and catalyst changes, including our 63.1% share of Atlas and 50% of Egypt, are currently estimated to be approximately $110 million for 2021.

Summary of Contractual Obligations and Commercial Commitments

A summary of the amount and estimated timing of cash flows related to our contractual obligations and minimum commercial commitments as at December 31, 2020 is as follows:

($ Millions)	2021	2022-2023	2024-2025	After 2025	Total
Long-term debt repayments	$ 40	$ 41	$ 499	$ 1,805	$ 2,385
Long-term debt interest obligations	118	234	209	563	1,124
Lease obligations	142	228	192	420	982
Repayments of other long-term liabilities	40	92	79	144	355
Natural gas and other	398	828	894	1,561	3,681
Other commitments	65	4	1	3	73
	$ 803	$ 1,427	$ 1,874	$ 4,496	$ 8,600

Long-Term Debt Repayments and Long-Term Debt Interest Obligations

We have $300 million of unsecured notes that mature in 2024, $700 million of unsecured notes that mature in 2027, $700 million of unsecured notes that mature in 2029, and $300 million of unsecured notes that mature in 2044. We have drawn $173 million on the $800 million Geismar 3 specific construction facility due in 2024. The remaining debt repayments represent the normal course obligations for principal repayments related to our limited recourse debt facilities. Interest obligations related to variable interest rate long-term debt were estimated using current interest rates in effect as at December 31, 2020. For additional information, refer to note 8 of our 2020 consolidated financial statements.

Lease obligations

Lease obligations represent contractual payment dates and amounts for right-of-use assets recognized on balance sheet. The majority of lease obligations are for ocean going vessels.

Repayments of Other Long-Term Liabilities

Repayments of other long-term liabilities represent contractual payment dates or, if the timing is not known, we have estimated the timing of repayment based on management's expectations.

Natural Gas and Other

We have commitments under take-or-pay contracts to purchase natural gas, to pay for transportation capacity related to the delivery of natural gas and to purchase oxygen and other feedstock requirements for our operating plants and Geismar 3 project. Take-or-pay means that we are obliged to pay for the supplies regardless of whether we take delivery. Such commitments are common in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The amounts disclosed in the table above represent only the minimum take-or-pay quantity.

The natural gas supply contracts for our facilities in New Zealand, Trinidad, Egypt and certain contracts in Chile are take-or-pay contracts denominated in United States dollars and include base and variable price components to manage our commodity price risk exposure. The variable price component of each natural gas contract is adjusted by a formula linked to methanol prices. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle. The amounts disclosed in the table for these contracts represent only the base price component representative of the minimum take-or-pay commitment.

We also have multi-year fixed price natural gas contracts and hedges to manage exposure to natural gas price risk and supply our production facilities in Geismar and Medicine Hat. We believe that the fixed price contracts, hedges and long-term natural gas dynamics in North America support the long-term operation of these facilities. In the above table, we have included natural gas commitments, not accounted for as financial instruments, in North America for Geismar and Medicine Hat at the contractual volume and fixed prices.

We have marketing rights for 100% of the production from our jointly owned Atlas and Egypt plants which results in purchase commitments of up to an additional 1.2 million tonnes per year of methanol offtake supply when these plants operate at capacity. As at December 31, 2020, the Company also had commitments to purchase methanol from other suppliers for approximately 1.2 million tonnes for 2021 and 1.1 million tonnes in aggregate thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the table above.

The above table does not include costs for planned capital maintenance or expansion expenditures, as these expenditures may change, or any obligations with original maturities of less than one year.

Other Commitments

We have future minimum lease payments under leases relating primarily to vessel charter, terminal facilities, office space and equipment that are outside the scope of IFRS 16. For additional information refer to note 22 of our 2020 consolidated financial statements.

Off-Balance Sheet Arrangements

As at December 31, 2020, we did not have any off-balance sheet arrangements, as defined by applicable securities regulators in Canada and the United States, that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are either measured at amortized cost or fair value.

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

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions.

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

The following table shows the carrying value of each of our categories of financial assets and liabilities and the related balance sheet items as at December 31, 2020 and December 31, 2019:

($ Millions)	2020	2019
Financial assets:		
Financial assets measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ 3**	$ –
Financial assets not measured at fair value:		
Cash and cash equivalents	**834**	417
Trade and other receivables, excluding tax receivable	**406**	474
Restricted cash included in other assets	**42**	39
Total financial assets[2]	**$ 1,285**	$ 930
Financial liabilities:		
Financial liabilities measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ 181**	$ 196
Financial liabilities not measured at fair value:		
Trade, other payables and accrued liabilities, excluding tax payable	**500**	406
Long-term debt, including current portion	**2,363**	1,769
Total financial liabilities	**$ 3,044**	$ 2,371

1 Geismar and Medicine Hat natural gas hedges and euro foreign currency hedges designated as cash flow hedges are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.
2 The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

As at December 31, 2020, all of the financial instruments were recorded on the consolidated statements of financial position at amortized cost with the exception of derivative financial instruments, which were recorded at fair value unless exempted.

The fair value of derivative instruments is determined based on industry-accepted valuation models using market observable inputs and are classified within Level 2 of the fair value hierarchy. The fair value of all of the Company's derivative contracts as presented in the consolidated statements of financial position are determined based on present values and the discount rates used are adjusted for credit risk. The effective portion of the changes in fair value of derivative financial instruments designated as cash flow hedges is recorded in other comprehensive income. The spot element of forward contracts in the hedging relationships is recorded in other comprehensive income as the change in fair value of cash flow hedges. The change in the fair value of the forward element of forward contracts is recorded separately in other comprehensive income as the forward element excluded from the hedging relationships. Once a commodity hedge settles, the amount realized during the period and not recognized immediately in the statement of income is reclassified from accumulated other comprehensive income (equity) to inventory and ultimately through cost of goods sold. Settled foreign currency hedges, are realized during the period directly to the statement of income reclassified from the statement of other comprehensive income.

The Company has derivative instruments designated as cash flow hedges for Geismar and Medicine Hat to manage its exposure to changes in natural gas prices for its highly probable forecast natural gas purchases in North America.

The Company also designates as cash flow hedges forward exchange contracts to sell certain foreign currencies at a fixed U.S. dollar exchange rate to hedge its exposure to exchange rate fluctuations on certain foreign currency denominated transactions.

RISK FACTORS AND RISK MANAGEMENT

We are subject to risks that require prudent risk management. We believe the following risks, in addition to those described in the *Critical Accounting Estimates* section on page 37, to be among the most important for understanding the issues that face our business and our approach to risk management.

Pandemic (COVID-19) Risk

In the first half of 2020, we saw a substantial reduction in global manufacturing and general economic activity due to COVID-19. As a result, we experienced lower demand and prices for methanol through a substantial part of 2020. The global response to the pandemic increased economic activity later in the year with methanol demand and prices recovering to some degree, despite a continuing pandemic.

Uncertainty remains with respect to the potential future impact of COVID-19, including the emergence of variants of the virus, and future viral outbreaks or pandemics on the global economy and our business. The magnitude of the impact will depend on future developments which cannot be predicted and therefore we cannot provide assurance that a deterioration in economic conditions related to a pandemic will not have an adverse impact on our results of operations and financial condition.

Methanol Price

The methanol business is a highly competitive commodity industry and future methanol prices will ultimately depend on the strength of global demand and methanol industry supply but can also be impacted by other factors such as global trade disputes and government sanctions. Methanol demand and industry supply are driven by a number of factors as described below. Methanol prices have historically been, and are expected to continue to be, characterized by cyclicality. We are not able to predict future methanol prices, which are driven by a number of factors that are beyond our control. Since methanol is the only product we produce and market, a decline in the price of methanol has a significant negative effect on our results of operations and financial condition.

Methanol Demand

Based on the diversity of end products in which methanol is used, demand for methanol is driven by a number of factors including: strength of global and regional economies, industrial production levels, energy prices, pricing of end products and government regulations and policies. In addition, increasing public focus on climate change and the timing and pace of the transition to a lower-carbon economy could impact the demand for methanol that is manufactured in a manner that produces GHG emissions. Changes in methanol demand based on availability of substitute products, consumer preference (including preference for low or zero carbon emission products, government regulation, or other factors) may have a significant negative effect on our results of operations and financial condition irrespective of energy prices or economic growth rates. We cannot provide assurance that changes in methanol demand will not negatively impact methanol demand growth, which could have an adverse effect on our results of operations and financial condition.

Energy Prices

Demand for energy-related applications, which represents just under 50% of global methanol demand, includes a number of applications including methanol-to-olefins (“MTO”), methyl tertiary-butyl ether (“MTBE”), fuel applications (including vehicle fuel, marine fuel and as a fuel for industrial boilers and kilns), di-methyl ether (“DME”) and biodiesel.

Methanol demand growth for these applications has been led, in part, by the cost of methanol relative to the price of other feedstock including oil and derivative products.

Methanol is an alternative feedstock for the production of light olefins in the methanol-to-olefins application and in 2020, methanol demand for MTO represented approximately 18% of global demand. MTO competes with olefins made from ethane, propane and naptha which are natural gas and oil based feedstocks. The price of methanol relative to the price of ethane, propane and naptha can impact the competitiveness of methanol in this application. The price of olefins and downstream derivative products are also affected by their supply and demand. In a low olefin and/or downstream derivative product price environment, methanol could be a less competitive feedstock in the production of olefins, which could reduce demand for methanol or contribute to negative pressure on methanol prices.

Methanol can also be used to produce MTBE (an oxygenate blended into gasoline to improve air quality), blended directly with gasoline and used to produce di-methyl ether (a methanol derivative) which can be blended with liquefied petroleum gas (propane). Because of this relationship, methanol demand is sensitive to the pricing of these energy products, which in turn are generally linked to global energy prices.

We cannot provide assurance that energy prices will not negatively impact methanol demand, which could have an adverse effect on our results of operations and financial condition.

Global Economic Growth Rates

Traditional chemical demand, which represents over 50% of global methanol demand, is used to produce traditional chemical derivatives, including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a wide variety of industrial and consumer products. We believe that traditional chemical demand is influenced by the strength of global and regional economies and industrial production levels. Any slowdown in the global or regional economies, specifically manufacturing and industrial economies, can negatively impact demand for methanol and have a detrimental impact on methanol prices.

Government Regulations and Policies – Methanol

Changes in environmental, health and safety laws, regulations or requirements in any country where methanol is produced or consumed could impact methanol demand.

Above certain inhalation and ingestion levels, methanol is toxic to humans. The United States Environmental Protection Agency (“EPA”) issued a draft assessment for methanol in 2010 classifying methanol as likely to be carcinogenic to humans. A final non-cancer assessment released by the EPA in 2013 established the maximum ingestion and inhalation levels for methanol that it claims will not result in adverse health impacts. We are unable to determine whether the current draft classification relating to the carcinogenicity of methanol will be maintained in the final cancer assessment or if this will lead other government agencies to take actions related to methanol. Any further action or reclassification of methanol could reduce future methanol demand, which could have an adverse effect on our results of operations and financial condition.

Government Regulations and Policies – Formaldehyde and Other Methanol Derived Products

In 2020, methanol demand for the production of formaldehyde represented approximately 26% of global methanol demand and is the largest demand segment. The largest use for formaldehyde is as a component of urea-formaldehyde and phenol-formaldehyde resins, which are used in adhesives for plywood, particleboard, oriented strand board, medium-density fibreboard and other reconstituted or engineered wood products. There is also demand for formaldehyde as a raw material for engineering plastics and in the manufacture of a variety of other products, including elastomers, paints, building products, foams, polyurethane and automotive products.

Formaldehyde is classified as a known human carcinogen by the EPA, and as carcinogenic to humans by the World Health Organization. The EPA classifies a substance in this manner when there is sufficient evidence of carcinogenicity from studies in humans, which indicates a causal relationship between exposure to the agent, substance, or mixture, and human cancer. In 2019, formaldehyde was selected as one of twenty priority chemicals for review under the Toxic Substances Control Act of the EPA with an anticipated final risk evaluation date of December 2022. We are unable to determine whether the current classification or future reclassifications of formaldehyde could impose limits or restrictions related to formaldehyde in the United States or elsewhere. Any such actions could reduce future methanol demand for use in producing formaldehyde, which could have an adverse effect on our results of operations and financial condition.

Further, any government regulation or policy relating to any other methanol derived product could also reduce future methanol demand for that product, which could have an adverse effect on our results of operations and financial condition.

Methanol Supply

Methanol industry supply is impacted by the cost of production, methanol industry operating rates and new methanol industry capacity additions.

Methanol is predominantly produced from natural gas and is also produced from coal, particularly in China. The cost of production is influenced by the availability and cost of raw materials, including coal and natural gas, as well as freight costs, capital costs and government policies. An increase in economically competitive methanol supply, all else equal, can displace supply from higher cost producers and have a negative impact on methanol price.

The industry has historically operated below stated capacity on a consistent basis, even in periods of high methanol prices, due primarily to shutdowns for planned and unplanned repairs and maintenance as well as shortages of feedstock and other production inputs. Methanol industry supply can increase through improving operating rates of existing methanol plants.

Methanol industry capacity can increase through the construction of new methanol plants, by restarting idle methanol plants, by carrying out expansions of existing plants or by debottlenecking existing plants to increase their operating capacity. There is typically a span of four to six years to plan and construct a new world-scale methanol plant.

Typical of most commodity chemicals, periods of high methanol prices encourage high-cost producers to operate at maximum rates and also encourage the construction of new plants and expansion projects, leading to the possibility of oversupply in the market.

However, historically, many of the announced capacity additions have not been constructed for a variety of reasons. There are significant barriers to entry in this industry. The construction of world-scale methanol facilities requires significant capital over a long lead time, a location with access to significant natural gas or coal feedstock with appropriate pricing, and an ability to cost-effectively and reliably deliver methanol to customers.

Approximately four million tonnes of new annualized capacity, including existing capacity expansions, outside of China was introduced in 2020, including the Bushehr (1.65 million tonnes) and Kimiya Pars (1.65 million tonnes) plants in Iran and the Caribbean Gas Chemical Limited (1.0 million tonnes) plant in Trinidad. In China, we estimate that approximately three million tonnes of new production capacity was added in 2020, excluding methanol production that is integrated with production of other downstream products. Global methanol supply operated at lower rates in 2020 as a result of plant shutdowns to respond to lower methanol demand as well as numerous planned and unplanned outages.

Over the next few years, we expect the majority of large-scale capacity additions outside of China to be in the Americas and the Middle East. In Louisiana, Koch Methanol Investments is expected to complete a 1.7 million tonne methanol plant in 2021. There are other large-scale projects under discussion in North America; however, we believe that none have yet reached a final investment decision. We continue to monitor a number of projects in Iran that are at various stages of construction. We anticipate some continued capacity additions in China over the near-to-medium term. We expect that new capacity in China will be consumed in that country.

We cannot provide assurance that increases in methanol supply will not outpace the level of future demand growth thereby contributing to negative pressure on methanol price.

Security of Natural Gas Supply and Price

Natural gas is the principal feedstock for producing methanol and it accounts for a significant portion of our operating costs. Accordingly, our results from operations depend in large part on the availability and security of supply and the price of natural gas. If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms or we experience interruptions in the supply of contracted natural gas, we could be forced to curtail production or close such plants, which could have an adverse effect on our results of operations and financial condition.

New Zealand

We have three plants in New Zealand with a total operating capacity of 2.2 million tonnes of methanol per year. Two plants are located at Motunui and can produce 1.7 million tonnes per year and the third is located at nearby Waitara Valley and can produce 0.5 million tonnes. The Waitara Valley Plant was idled indefinitely in the first quarter of 2021 due to a lack of available gas supply.

We have entered into several agreements with various natural gas suppliers with terms that range in length up to 2029. All gas supply agreements in New Zealand are take-or-pay agreements and include U.S. dollar base and variable price components where the variable price component is adjusted by a formula linked to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive at all points in the methanol price cycle. Certain contracts require the supplier to deliver a minimum amount of natural gas with additional volume dependent on the success of exploring and developing the related natural gas field.

We continue to pursue opportunities to contract additional natural gas to supply our plants in New Zealand, including gas to underpin the restart of the currently idled Waitara Valley plant.

The future operation of our New Zealand facilities, including the restart of the currently idled Waitara Valley plant, depends on the ability of our contracted suppliers to meet their commitments and the success of ongoing exploration and development activities in the region. We cannot provide assurance that our contracted suppliers will be able to meet their commitments or that exploration and development activities in New Zealand will be successful to enable us to operate at capacity or at all. We cannot provide assurance that we will be able to secure additional natural gas on commercially acceptable terms or with the optimal CO_2 composition. These factors could have an adverse impact on our results of operations and financial condition.

United States

We have two plants in Geismar, Louisiana with an annual operating capacity of 2.0 million tonnes. Late in 2020, Geismar 1 completed a debottlenecking project that will increase its annual operating capacity by 10% or 100,000 tonnes. A similar debottlenecking project is planned for Geismar 2 for 2021. The Geismar 3 project is currently on care and maintenance.

We have several fixed price hedges and fixed price physical supply agreements to manage natural gas price risk for our Geismar facilities. We currently have hedges and fixed price supply agreements for approximately 70% of all natural gas requirements on average for the Geismar facilities for 2021 to 2023 and a declining percentage at fixed prices continuing to 2032. The balance of our gas requirements are purchased under contracts at spot prices.

We believe that the long-term natural gas dynamics in North America will support the long-term operations of these facilities; however, we cannot provide assurance that our contracted suppliers will be able to meet their commitments or that we will be able to secure additional natural gas on commercially acceptable terms and this could have an adverse impact on our results of operations and financial condition.

Trinidad

We have two plants in Trinidad, Atlas (Methanex interest 63.1%) and Titan, with Methanex's interest in Trinidad representing an operating capacity of 2.0 million tonnes per year. Natural gas for our Atlas methanol production facility in Trinidad, with our share of total production capacity being 1.1 million tonnes per year, is supplied under a take-or-pay contract with the National Gas Company of Trinidad and Tobago Limited ("NGC"), which purchases the natural gas from upstream gas producers. Gas paid for, but not taken, in any year may be received in subsequent years subject to certain limitations. The contract for Atlas has a U.S. dollar base and variable price components, where the variable portion is adjusted by a formula linked to methanol prices above a certain level and expires in 2024.

Large industrial consumers in Trinidad, including our Titan and Atlas facilities, have at times, experienced curtailments of natural gas supply due to a mismatch between upstream supply to NGC and downstream demand from NGC's customers. The long-term gas contract for Titan with the NGC expired at the end of 2019 and we entered into a series of short-term gas contracts with NGC for the period starting January 1, 2020 before the plant was idled indefinitely from March 16, 2020. Early in 2021, we announced the decision to restructure our operations in Trinidad to support a one-plant (Atlas) operation, reducing our Trinidad workforce as we have been unable to secure a commercially acceptable longer-term natural gas agreement with the NGC.

While we believe the supply and demand fundamentals for natural gas in Trinidad will support the future operations at Atlas and the restart and future operations of Titan, we cannot provide assurance that our contracted supplier will be able to meet their commitments, that we will be able to secure additional natural gas on commercially acceptable terms or that exploration and development activities in Trinidad will be successful to enable us to operate at capacity or at all. These factors could have an adverse impact on our results of operations and financial condition.

Chile

Natural gas for our two plants in Chile is supplied by various producers in Chile and Argentina. A portion of the contracted gas is subject to deliver-or-pay and take-or-pay provisions. Our current gas agreements and export permits provide for sufficient gas to allow for a two-plant operation in Chile during the southern hemisphere summer months and up to a maximum of 75% of a two-plant operation on an annual basis, or annual production of up to 1.3 million tonnes.

In 2020, the Chile IV plant was idled effective April 1, 2020 in response to the reduction in manufacturing activity and methanol demand resulting from the COVID-19 pandemic. Following a brief restart in the fourth quarter, Chile IV was again idled due to lower gas deliveries resulting from upstream production declines in Argentina. Our Chile IV plant remains idle and it is uncertain how long these lower gas deliveries will persist.

The price paid for natural gas is a mix of both fixed price and a U.S. dollar base price plus a variable price component that is adjusted by a formula linked to methanol prices above a certain level. Our primary Chilean natural gas supplier is Empresa Nacional del Petróleo ("ENAP"). ENAP has made significant investments over the past several years in the development of natural gas from unconventional reservoirs which has resulted in increased gas deliveries from ENAP to our facilities. The agreements for natural gas supply with ENAP underpin approximately 25% of the 1.7 million tonnes of annual operating capacity for 2021 through 2025.

In 2020, we received natural gas from Argentina from four different natural gas suppliers pursuant to interruptible supply agreements. These agreements expire at the end of 2021. We also received Argentine natural gas in 2020 from a fifth supplier, YPF S.A.. We have a gas supply agreement with YPF S.A. that expires at the end of 2025.

While we continue to work with gas suppliers in Chile and Argentina to secure sufficient natural gas to sustain our Chile operations, we cannot provide assurance that our contracted suppliers will be able to meet their commitments, that we will be able to secure additional natural gas on commercially acceptable terms, that Argentina will grant future export permits for natural gas to be delivered to Chile or that exploration and development activities in Chile and Argentina will be successful to enable us to operate at capacity or at all. These factors could have an adverse impact on our results of operations or financial condition.

Egypt

We have a 25-year, take-or-pay natural gas supply agreement expiring in 2036 for the 1.3 million tonne per year methanol plant in Egypt in which we have a 50% equity interest. The price paid for gas is based on a U.S. dollar base price plus a variable price component that is adjusted by a formula linked to methanol prices above a certain level. Under the contract, the gas supplier is obligated to supply, and we are obliged to take or pay for, a specified annual quantity of natural gas. Gas paid for, but not taken, in any year may be received in subsequent years subject to limitations. In addition, the natural gas supply agreement has a mechanism whereby we are partially compensated when gas delivery shortfalls in excess of a certain threshold occur. Natural gas is supplied to this facility from the same gas delivery grid infrastructure that supplies other industrial users in Egypt, as well as the general Egyptian population.

Our Egypt facility has experienced gas restrictions in the past during periods of significant social unrest and government transition and we believe this contributed to past constraints in the development of natural gas reserves. The restrictions experienced in past years may occur in the future. We cannot provide assurance that our contracted supplier will be able to meet its commitments or that exploration and development activities in Egypt will be successful to enable us to operate at capacity or at all. These factors could have an adverse impact on our results of operations and financial condition.

Canada

We have entered into fixed price contracts to supply 80-90% of our natural gas requirements for our Medicine Hat facility through 2031. The balance of our gas requirements are purchased under contracts at spot prices.

We cannot provide assurance that our contracted suppliers will be able to meet their commitments or that we will be able to secure additional natural gas for our Medicine Hat facility on commercially acceptable terms and this could have an adverse impact on our results of operations and financial condition.

Capital Projects

Our ability to effectively allocate capital, including successfully identifying, developing and completing capital projects is subject to a number of risks, including finding and selecting favourable locations for new facilities where sufficient natural gas and other feedstock is available with acceptable commercial terms, obtaining project or other financing on satisfactory terms, constructing and completing the projects within the contemplated budgets and schedules and other risks commonly associated with the design, construction and start-up of large complex industrial projects.

In addition, the COVID-19 pandemic or other similar events could impact our ability to access necessary parts and equipment in a timely manner, meet key equipment delivery timelines, obtain permits, complete testing and inspection, and carry out project activities as a result of labour shortages or restrictions. These factors could result in schedule delays and cost escalation in completing capital projects.

Our Geismar 3 Project remains on temporary care and maintenance, and the Company has not made a decision whether to restart construction on the project. The Geismar 3 Project is subject to the capital project risks described above.

We are subject to potential risks associated with further deferral of the Geismar 3 project, beyond the original 18-month temporary care and maintenance period, including our ability to obtain permits, carry out project activities as a result of labour shortages or loss of personnel, renegotiate supply agreements with commercially acceptable terms and obtain project or other financing on satisfactory terms. These factors could result in schedule delays and cost escalation in completing the Geismar 3 project.

We are subject to potential risks associated with cancellation of the project including additional costs related to committed take-or-pay obligations, wind-down and exit costs.

We cannot provide assurance that we will be able to effectively allocate capital to identify or develop methanol projects or that any changes to the targeted timing of completion or estimated cost or ability to complete capital projects or future ability to operate at production capacity which could have an adverse impact on our results of operations and financial condition.

Global Economic Conditions

In addition to the potential influence of global economic activity levels on methanol demand and price, changing global economic conditions can also result in changes in capital markets. A deterioration in economic conditions could have a negative impact on supply or demand for methanol, our investments, diminish our ability to access existing or future credit and increase the risk of defaults by customers, suppliers, insurers and other counterparties. Considering these potential impacts, we cannot provide assurance that a deterioration in economic conditions will not have an adverse impact on our results of operations and financial condition.

Global Operations

Our operations and investments are primarily located in North America, New Zealand, Trinidad, Egypt, Chile, Europe and Asia. We are subject to risks inherent in global operations which are more significant in certain jurisdictions, such as loss of revenue, property and equipment as a result of expropriation; import or export restrictions; anti-dumping measures; nationalization, war, insurrection, civil unrest, sabotage, terrorism and other political risks; increases in duties, taxes and governmental royalties; renegotiation of contracts with governmental entities; as well as changes in laws or policies or other actions by governments that may adversely affect our operations, including lack of certainty with respect to foreign legal systems, corruption and other factors inconsistent with the rule of law. Many of the foregoing risks related to foreign operations may also exist for our domestic operations in North America. We are also subject to potential risks associated with geo-political disputes between countries in which we operate and those that border such countries such as over rights to water flowing across political boundaries including the Nile river which supplies water to our Egypt plant.

The Company is committed to doing business in accordance with all applicable laws and its code of business conduct, but there is a risk that it, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents could act in violation of its codes and applicable laws. Any such violation could severely damage our reputation and could result in substantial civil and criminal fines or penalties. Such damage to our reputation and fines and penalties could materially affect the Company’s business and have an adverse impact on our results of operations and financial condition.

Because we derive a significant portion of our revenues from production and sales by subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances.

Global Trade

Methanol is a globally traded commodity produced at facilities located around the world. Trade in methanol is subject to duty in a number of jurisdictions. Methanol sold in certain markets from the countries in which we produce methanol is currently subject to import duties ranging from 0% to 5.5%. As well, there is currently an additional 25% tariff on methanol imported from the US to China and from China to the US. Over the past number of years, methanol demand has grown faster in China compared to other markets. This growth has resulted in China currently representing approximately 60% of total methanol demand, which is supplied by both local and imported methanol. This concentration of industry demand creates a risk of market access from any production source as China may increase tariffs, restrict imports or take other measures to prevent or limit the import of methanol from a particular producing country. There can be no assurance that the countries where we produce methanol will continue to have access to all markets, including China, that duties will not increase, that duties will not be levied in other jurisdictions in the future or that we will be able to mitigate the impact of future duties, if levied, or that future duties will not have a significant negative effect.

Some producers and marketers of methanol may have direct or indirect contacts with countries that may, from time to time, be subject to international trade sanctions or other similar prohibitions (“Sanctioned Countries”). Methanol produced in Sanctioned

Countries may sell at a lower price to methanol produced in non-sanctioned countries creating competitive price pressure for the methanol we produce. In addition to the methanol we produce, we purchase methanol from third parties under purchase contracts or on the spot market in order to meet our commitments to customers, and we also engage in product exchanges with other producers and marketers. We believe that we are in compliance with all applicable laws with respect to sales and purchases of methanol and product exchanges. However, as a result of the participation of Sanctioned Countries in our industry, we cannot provide assurance that we will not be exposed to reputational or other risks that could have an adverse impact on our results of operations and financial condition.

Taxation Risk

The Company is subject to taxes, duties, levies, governmental royalties and other government-imposed compliance costs in numerous jurisdictions. New taxes and/or increases to the rates at which these amounts are determined could have an adverse impact on our results of operations and financial condition.

We have organized our operations in part based on certain assumptions about various tax laws (including capital gains, withholding taxes and transfer pricing), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot provide assurance that foreign taxation or other authorities will reach the same conclusion. The results of audit of prior tax filings and the final determination of these events may have a material impact on the Company. Refer to *Litigation Risk and Legal Proceedings* on page 36 for more information related to current legal matters. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

Liquidity Risk

As at December 31, 2020, we had a cash balance of $834 million an undrawn $300 million revolving credit facility, and $627 million undrawn on the non-revolving construction credit facility specifically related to the Geismar 3 project. Both credit facilities are with a syndicate of highly rated financial institutions and expire in July 2024. Our ability to maintain access to each facility is subject to meeting certain financial covenants, including an EBITDA to interest coverage ratio and a debt to capitalization ratio, both ratios calculated in accordance with definitions in the credit agreement that include adjustments related to the Company’s limited recourse subsidiaries.

As at December 31, 2020, our long-term debt obligations include $1,979 million in unsecured notes, $161 million related to other limited recourse debt for ocean going vessels (100% basis) and $47 million related to the Egypt limited recourse debt facilities (100% basis).

The covenants governing the unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding the Egypt entity, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or a sale of all or substantially all of the Company’s assets. The indenture also contains customary default provisions. The Egypt limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the Egypt entity. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other distributions.

For additional information regarding long-term debt, refer to note 8 of our 2020 consolidated financial statements.

We cannot provide assurance that we will be able to access new financing in the future on commercially acceptable terms or at all, or that the financial institutions providing the credit facilities will have the ability to honour future draws. Additionally, failure to comply with any of the covenants or default provisions of the long-term debt facilities described above could result in a default under the applicable credit agreement that would allow the lenders to not fund future loan requests, accelerate the due date of the principal and accrued interest on any outstanding loans or restrict the payment of cash or other distributions. Any of these factors could have a significant negative effect on our results of operations, our ability to pursue and complete strategic initiatives or on our financial condition.

Foreign Currency Risk

The dominant currency in which we conduct business is the United States dollar, which is also our reporting currency. The most significant components of our costs are natural gas feedstock and ocean-shipping costs and substantially all of these costs are incurred in United States dollars. Some of our underlying operating costs, capital expenditures and purchases of methanol, however, are incurred in currencies other than the United States dollar, principally the Canadian dollar, the Chilean peso, the Trinidad and Tobago dollar, the New Zealand dollar, the euro, the Egyptian pound and the Chinese yuan. We are exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales, operating expenses and capital expenditures. A portion of our revenue is earned in euros, Canadian dollars and Chinese yuan. We are exposed to declines in the value of these currencies compared to the United States dollar, which could have the effect of decreasing the United States dollar equivalent of our revenue.

Customer Credit Risk

Our customers are large global or regional petrochemical manufacturers or distributors and a number are highly leveraged, though we have not experienced significant credit losses in the past. We monitor our customers' financial status closely; however, some customers may not have the financial ability to pay for methanol in the future and this could have an adverse effect on our results from operations and financial condition.

Operational Risks

Production Risks

Most of our earnings are derived from the sale of methanol produced at our plants. Our business is subject to the risks of operating methanol production facilities, such as equipment breakdowns, interruptions in the supply of natural gas and other feedstocks including water, power failures, longer-than-anticipated planned maintenance activities, loss of port facilities, natural disasters or any other event, including unanticipated events beyond our control, that could result in a prolonged shutdown of any of our plants or impede our ability to deliver methanol to customers. A prolonged plant shutdown at any of our major facilities could have an adverse effect on our results of operations and financial condition.

Technological Risks

Many of our methanol plants have been in operation for multiple decades and with appropriate maintenance they are still capable of operating efficiently and cost effectively today as new technologies for natural gas based methanol production have been primarily incremental rather than transformational. Alternative feedstocks and methods for methanol production, including producing methanol from renewable resources exist today, but are not currently economically competitive at scale. The introduction of new technologies for methanol production, including those that reduce the CO_2 emissions intensity of methanol production, may make our plants less cost competitive or obsolete over time. In addition, regulatory changes could require Methanex to invest in new technologies to reduce its GHG emissions which could result in significant capital expenditures. As a result, we cannot provide assurance that new technologies in methanol production will not have an adverse effect on our results of operations and financial condition.

Joint Arrangement Risk

Certain Methanex assets are jointly held and are governed by partnership and shareholder agreements. As a result, certain decisions regarding these assets require a simple majority, while others require 100 percent approval of the owners. In addition, certain of these assets (ocean going vessels) are operated by unrelated third-party entities. The operating results of these assets is to some extent dependent on the effectiveness of the business relationship and decision making among Methanex and the other joint owner(s) and the expertise and ability of these third-party operators to successfully operate and maintain the assets. While Methanex believes that there are prudent governance and contractual rights in place, there can be no assurance that Methanex will not encounter disputes with partners. Such events could impact operations or cash flows of these assets which, in turn, could have an adverse effect on our results of operations and financial condition.

Purchased Product Price Risk

In addition to the sale of methanol produced at our plants, we also purchase methanol produced by others on the spot market and through purchase contracts to meet our customer commitments and support our marketing efforts. We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we purchase. Consequently, we have the risk of holding losses on the resale of this product to the extent that methanol prices decrease from the date of purchase to the date of sale. Holding losses, if any, on the resale of purchased methanol could have an adverse effect on our results of operations and financial condition.

Distribution Risks

Excess capacity within our fleet of ocean vessels resulting from a prolonged plant shutdown or other event could have an adverse effect on our results of operations and financial condition as our vessel fleet is subject to fixed time charter costs. In the event we have excess shipping capacity, we may be able to mitigate some of the excess costs by entering into sub-charters or third-party backhaul arrangements, although the success of this mitigation is dependent on conditions within the broader global shipping industry. If we suffer any disruptions in our distribution system and are unable to mitigate these costs, this could have an adverse effect on our results from operations and financial condition.

Insurance Risks

Although we maintain operational and construction insurance, including business interruption insurance, we cannot provide assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance or that insurers will be financially capable of honouring future claims. From time to time, various types of insurance for companies in the chemical and petrochemical industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. We cannot provide assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

Physical Impacts of Climate Change

Climate change poses a number of potential risks and impacts to Methanex which may increase over time. The prospective impact of climate change may have an adverse impact on our operations, our suppliers or customers. The physical impacts of climate change may include water scarcity, changing sea or river levels, changing storm patterns and intensities, and changing temperature levels, and the impact of any of these changes could be severe.

Four of our methanol production sites rely on access to fresh water, converted to steam, in the methanol production process. Our other two sites, Trinidad and Chile, have desalination units. Water shortages at sites without desalination units may have the impact of restricting methanol production.

Our transport of methanol relies primarily on vessels to ship methanol from our production sites to customers around the world. We have, at times, experienced logistics delays in our supply chain due to high and low river levels in exporting methanol from a production site or delivering methanol by vessel or barge to customers. High or low river levels impacting our production assets and supply chain, more severe and frequent storms and weather events could have a material adverse impact on our operating capacity and supply chain. We cannot predict the prospective impact of climate change on our operations, suppliers or customers, which could have an adverse impact on our results of operations and financial condition.

Environmental Regulation

The countries in which we operate and international and jurisdictional waters in which our vessels operate have laws, regulations, treaties and conventions in force to which we are subject, governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials. We are also subject to laws and regulations governing emissions and the import, export, use, discharge, storage, disposal and transportation of toxic substances. The products we use and produce are subject to regulation under various health, safety and environmental laws. Non-compliance with these laws and regulations may give rise to compliance orders, fines, injunctions, civil liability and criminal sanctions.

Laws and regulations with respect to protecting the environment have become more stringent over time and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by others or for our own acts even if we complied with applicable laws at the time such acts were performed. To date, environmental laws and regulations have not had a significant adverse effect on our capital expenditures, earnings or competitive position. However, operating petrochemical manufacturing plants and distributing methanol exposes us to risks in connection with compliance with such laws and we cannot provide assurance that we will not incur significant costs or liabilities in the future.

Although we have formal and proactive compliance management systems in place, we cannot provide assurance over ongoing compliance with existing legislation or that future laws and regulations to which we are subject governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials will not have an adverse effect on our results of operations and financial condition.

Carbon and GHG Legislation

Methanex generates GHG emissions directly and indirectly through the production, distribution and use of its products. Carbon dioxide ("CO_2") is a by-product of the development and extraction of hydrocarbons including natural gas used as a feedstock in methanol production. CO_2 is also a by-product of the methanol production process. The amount of CO_2 generated by the methanol production process depends on the production technology, plant age, feedstock, operating rate of the plant and any export of the by-product hydrogen. CO_2 emissions are also generated from our marine operations when fuel is consumed during the global transport of methanol. We monitor and manage our CO_2 emissions intensity, defined as the quantity of CO_2 released per unit of production or transported tonne, relating to both methanol production and marine operations. Our CO_2 emissions intensity has decreased over time due to newer technology and higher efficiency at our plants and in our vessel fleet. Plant efficiency, and thus CO_2 emissions, is highly dependent on the design of the methanol plant and availability of natural gas among other factors, and accordingly the CO_2 emission figure may vary from year to year depending on the mix of production assets and vessels in operation.

Public attitudes around climate change and the transition to a lower-carbon economy are changing. As a result, under the Paris Agreement within the United Nations Framework Convention on Climate Change, many of the countries we operate in have agreed to put forth substantial efforts and commitments to reduce greenhouse gas ("GHG") emissions, and/or impose carbon taxes. We are currently subject to GHG regulations in New Zealand, Canada and Chile, while our production in the United States, Trinidad and Egypt is currently not subject to such regulations. These regulations result in additional costs to produce methanol. Many of our competitors produce methanol in countries with no imposed GHG regulations or carbon taxes, as such, further increases in regulations or carbon taxes in the countries in which we operate may negatively impact our competitive position within the methanol industry.

There are ongoing reviews and potential changes to government GHG regulations in New Zealand, Canada and Chile.

In New Zealand, an Emissions Trading Scheme ("ETS") imposes a carbon price on producers of fossil fuels, including natural gas, which is passed on to Methanex, increasing the cost of gas that Methanex purchases in New Zealand. However, as a trade exposed company, Methanex is entitled to a free allocation of emissions units to partially offset those increased costs. The amount of free allocation emission units that Methanex is entitled to is expected to gradually decrease over time. We cannot predict the impact of future New Zealand government regulations and initiatives, related to climate change, which could have an adverse impact on our results of operations and financial condition.

Since 2017, Chile has imposed a carbon tax on certain CO_2 emissions. More recent legislation will have the effect of increasing carbon taxes in Chile over the coming years.

In Canada, the Alberta government implemented the Technology Innovation and Emissions Reduction ("TIER") program in 2020 which provides up to 90% free emission allocations. To the extent Methanex does not have free emission allocations, we must purchase offset credits for an additional cost, or purchase fund credits under the TIER program at a cost of $30/tonne of CO_2 for 2020 and $40/tonne of CO_2 for 2021. The federal Greenhouse Gas Pollution Pricing Act ("GGPPA") has not been applied in Alberta due to the existence of the provincial TIER program which the federal government has deemed equivalent to the GGPPA. Recent proposals under the GGPPA seek to increase carbon pricing in Canada to $170 per tonne by 2030. If this is implemented, Alberta may increase the costs of fund credits under the TIER program for it to continue to be a compliant carbon-pricing regime. The Alberta government, along with two other provinces, has challenged the federal government's application of the GGPPA and a decision from the Supreme Court of Canada is expected in 2021. We cannot provide assurance that GHG legislation changes, new legislation, or changes in carbon prices will not have an adverse impact on our results of operations and financial condition.

The US has reentered the Paris Agreement and has announced plans to implement its objectives with respect to GHG emissions reduction. We cannot predict the impact of future US government regulations and initiatives, related to climate change, which could have an adverse impact on our results of operations and financial condition.

Reputational Risk

Damage to our reputation could result from the actual or perceived occurrence of any number of events, and could include any negative publicity (for example, with respect to our handling of environmental, CO_2, health or safety matters), whether true or not. Many stakeholders are expecting action to address climate change and a transition to a lower-carbon economy. Further risks arise from these changing stakeholder perceptions related to the way in which we are viewed as contributing to (or hindering) a transition to a low carbon economy and responding to climate change. Our reputation could be impacted by evolving perceptions of carbon intensive industries, petrochemical industries, and most specifically the methanol industry and its associated downstream derivatives. Although we believe that we conduct our operations in a prudent manner and that we take care in protecting our reputation, we do not ultimately have direct control over how we are perceived by others. Reputation loss may result in decreased access to capital and insurance coverage, decreased investor confidence, challenges with employee retention and talent attraction, an impediment to our overall ability to advance our projects, obtain permits or increased challenges in maintaining our social license to operate, which could have an adverse impact on our results of operations and financial condition.

Cyber Security

Our business processes rely on Information Technology (“IT”) systems that are interconnected with external networks, which increases the threat of cyber attack and the importance of cyber security. In particular, if a cyber attack was targeted at our production facilities or our supply chain, the result could harm our plants, environment, people and our ability to meet customer commitments for a period of time. In addition, targeted attacks on our systems (or third-parties that we rely on), failure of a key IT system or a breach in security measures designed to protect our IT systems could have an adverse impact on our results of operations, financial condition and reputation. We have previously been the subject of cyber attacks on our internal systems, but these incidents have not had a significant negative impact on our results of operations.

We have a comprehensive program to protect our assets, detect an intrusion and respond in the event of a cyber security incident. As the cyber threat landscape continues to evolve, we implement continuous mitigation efforts, including: cyber education for our staff, risk prioritized controls to protect against known and emerging threats; tools to provide automated monitoring and alerting; and backup and recovery systems to restore systems and return to normal operations. We may be required to commit additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cyber attacks. The Audit, Finance and Risk Committee is responsible for overseeing our cyber security mitigation efforts.

Methanex collects, uses and stores sensitive data in the normal course of business, including intellectual property, proprietary business information and personal information of Methanex’s employees and third parties. Despite our security measures in place, our IT systems may be vulnerable to cyber attacks or breaches. Any such breach could compromise information used or stored on our IT systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to our operations and damage to Methanex’s reputation, which could have an adverse impact on our results of operations and financial condition.

Litigation Risk and Legal Proceedings

The Company is subject, from time to time, to litigation and may be involved in disputes with other parties in the future, which may result in litigation and claims under such litigation may be material. Various types of claims may be raised in these proceedings, including, but not limited to breach of contract, product liability, tax, employment matters and in relation to an attack, breach or unauthorized access to Methanex’s information technology and infrastructure, environmental damage, climate change and the impact thereof, antitrust, bribery, and other forms of corruption. The Company cannot predict the outcome of any litigation. Defense and settlement costs may be substantial, even with respect to claims that have no merit. If the Company cannot resolve these disputes favourably, its business, financial condition, results of operations and future prospects may be materially adversely affected.

Trinidad

The Board of Inland Revenue of Trinidad and Tobago has audited and issued assessments against our 63.1% owned joint venture, Atlas, in respect of the 2005 to 2014 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed-price sales contracts with affiliates that commenced in 2005 and continued through 2019. The long-term fixed-price sales contracts with affiliates were established as part of the formation of Atlas and management believes these were reflective of market considerations at that time.

During the periods under assessment and continuing through 2014, approximately 50% of Atlas produced methanol was sold under these fixed-price contracts. From late 2014 through 2019 fixed-prices sales represent approximately 10% of Atlas-produced methanol. Atlas had partial relief from corporation income tax until late July 2014.

The Company believes it is impractical to disclose a reasonable estimate of the potential contingent liability due to the wide range of assumptions and interpretations implicit in the assessments.

The Company has lodged objections to the assessments. No deposits have been required to lodge objections. Although there can be no assurance that these tax assessments will not have a material adverse impact, based on the merits of the cases and advice from legal counsel, we believe our position should be sustained, that Atlas has filed its tax returns and paid applicable taxes in compliance with Trinidadian tax law, and as such has not accrued for any amounts relating to these assessments. Contingencies inherently involve the exercise of significant judgment, and as such the outcomes of these assessments and the financial impact to the Company could be material.

We anticipate the resolution of this matter through the court systems to be lengthy and, at this time, cannot predict a date as to when we expect this matter to be ultimately resolved.

CRITICAL ACCOUNTING ESTIMATES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. Certain of our accounting policies, including depreciation and amortization, recoverability of asset carrying values, leases, income taxes and fair value measurement of financial instruments require us to make assumptions relating to operations and about the price and availability of natural gas feedstock. See additional discussion of the risk factors and risk management by region in the *Security of Natural Gas Supply and Price* section on page 28. See note 2 to our 2020 consolidated financial statements for our significant accounting policies.

Property, Plant and Equipment

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. As at December 31, 2020, the net book value of our property, plant and equipment was $3.7 billion.

Capitalization

Property, plant and equipment are initially recorded at cost. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on self-constructed assets that meet certain criteria. Routine repairs and maintenance costs are expensed as incurred.

As at December 31, 2020, we had accrued $32 million for site restoration costs relating to the decommissioning and reclamation of our methanol production sites. Inherent uncertainties exist in this estimate because the restoration activities will take place in the future and there may be changes in governmental and environmental regulations and changes in removal technology and costs. It is difficult to estimate the future costs of these activities as our estimate of fair value is based on current regulations and technology. Because of uncertainties related to estimating the cost and timing of future site restoration activities, future costs could differ materially from the amounts estimated.

Depreciation and Amortization

Depreciation and amortization is generally provided on a straight-line basis at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value.

The estimated useful lives of the Company's buildings, plant installations and machinery at installation, excluding costs related to turnarounds, initially range from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to our various production facilities. The estimated useful life of production facilities may be adjusted from time-to-time based on turnarounds, plant refurbishments and gas availability. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas and the expected price of securing natural gas supply. We review the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

Recoverability of Asset Carrying Values

Long-lived assets are tested for recoverability whenever events or changes in circumstances, either internal or external, indicate that the carrying amount may not be recoverable ("triggering events"). Examples of such triggering events related to our long-lived assets include, but are not restricted to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a change in management's intention or strategy for the asset, which includes a plan to dispose of the asset or idle the asset for a significant period of time; a significant adverse change in our long-term methanol price assumption or in the price or availability of natural gas feedstock required to manufacture methanol; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use.

When a triggering event is identified, recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less costs to sell or its value in use. Fair value less costs of disposal is determined by ascertaining the price that would be received to sell an asset in an orderly transaction between market participants under current market conditions, less incremental costs directly attributable to the disposal, excluding finance costs and income tax expense. Value in use is determined by measuring the pre-tax cash flows expected to be generated from the cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded if the carrying value exceeds the estimated recoverable amount. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For the purposes of recognition and measurement of an impairment writedown or reversal, we group our long-lived assets with other assets and liabilities to form a "cash-generating unit" at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. To the extent that our methanol facilities in a particular location are interdependent as a result of common infrastructure and/or feedstock from shared sources that can be shared within a facility location, we group our assets based on site locations for the purpose of determining impairment.

There are two key variables that impact our estimate of future cash flows from producing assets: (1) the methanol price and (2) the price and availability of natural gas feedstock. Short-term methanol price estimates are based on current supply and demand fundamentals and current methanol prices. Long-term methanol price estimates are based on our view of long-term supply and demand, incorporating third-party assumptions, forecasts and market observable prices when appropriate. Consideration is given to many factors, including, but not limited to, estimates of global industrial production rates, energy prices, changes in general economic conditions, the ability for the industry to add further global methanol production capacity and earn an appropriate return on capital, industry operating rates and the global industry cost structure. Our estimate of the price and availability of natural gas takes into consideration the current contracted terms, as well as factors that we believe are relevant to supply under these contracts and supplemental natural gas sources. Other assumptions included in our estimate of future cash flows include the estimated cost incurred to maintain the facilities, estimates of transportation costs and other variable costs incurred in producing methanol in each period. Changes in these assumptions will impact our estimates of future cash flows and could impact our estimates of the useful lives of property, plant and equipment. Consequently, it is possible that our future operating results could be adversely affected by further asset impairment charges or by changes in depreciation and amortization rates related to property, plant and equipment. In relation to previous impairment charges, we do not believe that there are significant changes in events or circumstances that would support their reversal.

In Trinidad we have indefinitely idled the Titan plant because we have not been successful in securing a commercially acceptable long-term gas supply agreement. This led to the decision to restructure our operations in Trinidad to support a one-plant operation dedicated to the operation of our Atlas plant. As a result, we have identified an impairment indicator in our Titan cash generating unit ("Titan CGU"). The impairment test performed on the Titan CGU resulted in no impairment as the estimated recoverable value, determined on a fair value less costs of disposal methodology, exceeded the carrying value. The estimated recoverable value was based on an operating period for Titan aligned to natural gas reserves estimates in Trinidad with no terminal value, discounted at an after-tax rate of 13%.

The following table indicates the percentages by which key assumptions would need to change individually for the estimated Titan CGU recoverable value to be equal to the carrying value:

Key Assumptions	Change Required for Carrying Value to Equal Recoverable Value
Long-term average realized price	3 percent decrease
Production volumes	11 percent decrease
Gas price	7 percent increase
Discount rate (after-tax)	330 basis points increase

The sensitivity above has been prepared considering each variable independently. Historically, our natural gas contracts in Trinidad have included terms whereby a change in methanol price results in a change in natural gas price, protecting margins should revenue decrease.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by an event or a significant change in circumstances.

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges for ocean vessels and terminal facilities. Judgment is applied in the determination of the stand-alone price of the lease and non-lease components. All related operating charges are classified as variable payments and all such costs are accounted for as a non-lease component charged to the consolidated statement of operations as incurred.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. In measuring lease liabilities, the Company discounts lease payments using the incremental borrowing rate applicable at lease inception. The incremental borrowing rate is determined using an credit rating specific to the entity, location, asset security and term of the lease.

Income Taxes

We calculate current and deferred tax provisions for each of the jurisdictions in which we operate. Actual amounts of income tax expense or recoveries are not final until tax returns are filed and accepted by the relevant tax authorities and as a result, the ultimate amount of taxes the Company may owe could differ from the amounts recognized in the consolidated financial statements. The filing of annual tax returns primarily occurs subsequent to the issuance of the financial statements and the final determination of actual amounts may not be completed for a number of years. Transactions may be challenged by tax authorities and the Company's operations may be assessed in subsequent periods, which could result in significant additional taxes, penalties and interest. Uncertain tax positions, including interest and penalties, are recognized and measured applying management estimates. Given the complexity, management engages third-party experts as required, for the interpretation of tax law, transfer pricing regulations and determination of the ultimate resolution of its tax positions. The Company is subject to various taxation authorities who may interpret tax legislation differently, and resolve matters over longer-periods of time. The differences in judgement in assessing uncertain tax positions may result in material differences in the final amount or timing of the payment of taxes or settlement of tax assessments.

Deferred income tax assets and liabilities are determined using enacted or substantially enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We recognize deferred tax assets to the extent it is probable that taxable profit will be available against which the asset can be utilized. In making this determination, certain judgments are made relating to the level of expected future taxable income and to available tax-planning strategies and their impact on the use of existing loss carryforwards and other income tax deductions. We also consider historical profitability and volatility to assess whether we believe it is probable that the existing loss carryforwards and other income tax deductions will be used to offset future taxable income otherwise calculated. Management routinely reviews these judgments. As at December 31, 2020, we had recognized deferred tax assets of $132 million primarily relating to non-capital loss carryforwards and other temporary differences in the United States. As at December 31, 2020, the Company had $292 million of unrecognized deductible temporary differences in the United States. If judgments or estimates in the determination of our current and deferred tax provision prove to be inaccurate, or if certain tax rates or laws change, or new interpretations or guidance emerge on the application of tax legislation, our results from operations and financial position could be materially impacted.

Financial Instruments Measured at Fair Value

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions. Assessment of contracts as derivative instruments, applicability of the own use exemption, determination of whether contracts contain embedded derivatives to be separated, the valuation of financial instruments and derivatives and hedge effectiveness assessments require a high degree of judgment and are considered critical accounting estimates due to their complex nature and the potential impact on our financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16, Leases

We have adopted the amendments to IFRS 16, Leases regarding COVID-19 – Related Rent Concessions, which were effective retrospectively for annual periods beginning on or after January 1, 2020. The amendments did not have a material impact on the Company's consolidated financial statements.

ANTICIPATED CHANGES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2021 will have a significant impact on the Company's results of operations or financial position.

The Company does not expect the implementation of amendments to IAS 16, Property, Plant, and Equipment, regarding the accounting for proceeds before intended use, effective for annual periods beginning on or after January 1, 2022 to have a significant impact on the Company's results of operations or financial position.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental measures that are not defined terms under IFRS (non-GAAP measures). These are Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue, cash flow from operating activities before changes in non-cash working capital, and Operating income (loss). These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in assessing the operating performance and liquidity of the Company's ongoing business. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies.

These measures should be considered in addition to, and not as a substitute for, net income (loss), cash flows and other measures of financial performance and liquidity reported in accordance with IFRS.

Adjusted EBITDA (attributable to Methanex shareholders)

Adjusted EBITDA differs from the most comparable GAAP measure, net income (loss) attributable to Methanex shareholders, because it excludes finance costs, finance income and other expenses, income tax expense, depreciation and amortization, mark-to-market impact of share-based compensation and the Argentina gas settlement. Adjusted EBITDA includes an amount representing our 63.1% share of the Atlas facility and excludes the non-controlling shareholders' interests in entities which we control but do not fully own.

Adjusted EBITDA and Adjusted net income (loss) exclude the mark-to-market impact of share-based compensation related to the impact of changes in our share price on SARs, TSARs, deferred share units, restricted share units and performance share units. The mark-to-market impact related to share-based compensation that is excluded from Adjusted EBITDA and Adjusted net income (loss) is calculated as the difference between the grant-date value and the fair value recorded at each period-end. As share-based awards will be settled in future periods, the ultimate value of the units is unknown at the date of grant and therefore the grant-date value recognized in Adjusted EBITDA and Adjusted net income (loss) may differ from the total settlement cost.

The following table shows a reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted EBITDA:

($ Millions)	**2020**	2019
Net income (loss) attributable to Methanex shareholders	**$ (157)**	$ 88
Mark-to-market impact of share-based compensation	**39**	(18)
Depreciation and amortization	**357**	344
Finance costs	**165**	124
Finance income and other expenses	**—**	(4)
Income tax expense (recovery)	**(62)**	4
Earnings of associate adjustment[1]	**42**	64
Non-controlling interests adjustment[1]	**(38)**	(36)
Adjusted EBITDA (attributable to Methanex shareholders)	**$ 346**	$ 566

[1] These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and income taxes associated with our 63.1% interest in the Atlas methanol facility and the non-controlling interests.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Common Share

Adjusted net income (loss) and Adjusted net income (loss) per common share are non-GAAP measures because they exclude the mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events. The following table shows a reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted net income (loss) and the calculation of Adjusted diluted net income (loss) per common share:

($ Millions, except number of shares and per share amounts)	**2020**	2019
Net income (loss) attributable to Methanex shareholders	**$ (157)**	$ 88
Mark-to-market impact of share-based compensation, net of tax	**34**	(17)
Adjusted net income (loss)	**$ (123)**	$ 71
Diluted weighted average shares outstanding (millions)	**76**	77
Adjusted net income (loss) per common share	**$ (1.62)**	$ 0.93

Adjusted Revenue (attributable to Methanex shareholders)

Adjusted revenue differs from the most comparable GAAP measure, revenue, because it excludes our partners' share of revenue marketed on a commission basis related to 36.9% of the Atlas methanol facility and 50% of the Egypt methanol facility that we do not own. A reconciliation from revenue to Adjusted revenue is as follows:

($ Millions)	**2020**	2019
Revenue	**$ 2,650**	$ 3,284
Non-Methanex share of Atlas revenue[1]	**(115)**	(185)
Non-controlling interests' share of Egypt revenue[1]	**(136)**	(111)
Adjusted revenue (attributable to Methanex shareholders)	**$ 2,399**	$ 2,988

[1] Excludes intercompany transactions with the Company.

Operating Income (loss) and Cash Flows from Operating Activities before Changes in Non-Cash Working Capital

Operating income (loss) and cash flows from operating activities before changes in non-cash working capital are reconciled to GAAP measures in our consolidated statements of income (loss) and consolidated statements of cash flows, respectively.

QUARTERLY FINANCIAL DATA (UNAUDITED)

Our operations consist of a single operating segment – the production and sale of methanol. Quarterly results vary due to the average realized price of methanol, sales volume and total cash costs.

A summary of selected financial information including the restated revenue and cost of sales and operating expenses is as follows:

	Three months ended			
($ Millions, except per share amounts)	Dec 31	Sep 30	Jun 30	Mar 31
2020				
Revenue	**$ 811**	**$ 581**	**$ 512**	**$ 745**
Cost of sales and operating expenses	**(715)**	**(557)**	**(484)**	**(599)**
Net income (loss) (attributable to Methanex shareholders)	**(27)**	**(88)**	**(65)**	**23**
Basic net income (loss) per common share	**(0.35)**	**(1.15)**	**(0.85)**	**0.30**
Diluted net income (loss) per common share	**(0.35)**	**(1.15)**	**(0.85)**	**0.21**
Adjusted EBITDA	**136**	**40**	**32**	**138**
Adjusted net income (loss)	**12**	**(79)**	**(64)**	**8**
Adjusted net income (loss) per common share	**0.15**	**(1.03)**	**(0.84)**	**0.10**
2019				
Revenue	$ 769	$ 765	$ 847	$ 902
Cost of sales and operating expenses	664	696	689	751
Net income (loss) (attributable to Methanex shareholders)	9	(10)	50	38
Basic net income (loss) per common share	0.12	(0.13)	0.65	0.50
Diluted net income (loss) per common share	0.12	(0.21)	0.51	0.50
Adjusted EBITDA	136	90	146	194
Adjusted net income (loss)	10	(21)	26	56
Adjusted net income (loss) per common share	0.13	(0.27)	0.34	0.73

A discussion and analysis of our results for the fourth quarter of 2020 is set out in our fourth quarter of 2020 Management's Discussion and Analysis filed with the Canadian Securities Administrators on SEDAR at www.sedar.com and the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov and is incorporated herein by reference.

SELECTED ANNUAL INFORMATION

($ Millions, except per share amounts)	**2020**	2019	2018
Revenue[1]	**$ 2,650**	$ 3,284	$ 4,483
Adjusted EBITDA[2]	**346**	566	1,071
Adjusted net income (loss)	**(123)**	71	556
Net income (loss) (attributable to Methanex shareholders)	**(157)**	88	569
Adjusted net income (loss) per common share	**(1.62)**	0.93	6.86
Basic net income (loss) per common share	**(2.06)**	1.15	7.07
Diluted net income (loss) per common share	**(2.06)**	1.01	6.92
Cash dividends declared per common share	**0.470**	1.440	1.320
Total assets[2]	**5,696**	5,197	4,609
Total long-term financial liabilities[2]	**3,276**	2,645	1,473

[1] Revenue for 2018 has been adjusted based on a restatement for the recognition of revenue on Atlas produced methanol.

[2] Adjusted EBITDA, total assets and total long-term financial liabilities for 2020 and 2019 includes the adoption of IFRS 16. The comparative periods of 2018 has not been adjusted for IFRS 16.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a 15(e) and 15d 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As of December 31, 2020, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of that date.

Management’s Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2020, based on the framework set forth in Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO framework”). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

KPMG LLP, an independent registered public accounting firm that audited and reported on our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2020. The attestation report is included in our consolidated financial statements on page 49.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the most recent interim period and year ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting other than changes resulting from the measures that were implemented during 2020 to remediate the previously identified material weakness, as further described in the Company’s Q3 2020 MD&A filed October 28, 2020.

FORWARD-LOOKING STATEMENTS

This 2020 Management's Discussion and Analysis ("MD&A") contains forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim", "goal", "targets", "plan", "predict" or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

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

- expected demand for methanol and its derivatives,
- expected new methanol supply or restart of idled capacity and timing for start-up of the same,
- expected shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages,
- expected methanol and energy prices,
- expected levels of methanol purchases from traders or other third parties,
- expected levels, timing and availability of economically priced natural gas supply to each of our plants,
- capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants,
- our expected capital expenditures,
- anticipated operating rates of our plants,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- expected tax rates or resolutions to tax disputes,
- expected cash flows, earnings capability and share price,
- availability of committed credit facilities and other financing,
- our ability to meet covenants associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities that have conditions associated with the payment of cash or other distributions,
- our shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability and timing of, or our ability to execute future projects, plant restarts, capacity expansions, plant relocations or other business initiatives or opportunities, including our Geismar 3 Project,
- our financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels),
- expected outcomes of litigation or other disputes, claims and assessments,
- expected actions of governments, governmental agencies, gas suppliers, courts, tribunals or other third parties, and
- the potential future impact of the COVID-19 pandemic.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. 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, including, without limitation, future expectations and assumptions concerning the following:

- the supply of, demand for and price of methanol, methanol derivatives, natural gas, coal, oil and oil derivatives,
- our ability to procure natural gas feedstock on commercially acceptable terms,
- operating rates of our facilities,
- receipt or issuance of third-party consents or approvals or governmental approvals related to rights to purchase natural gas,
- the establishment of new fuel standards,
- operating costs, including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- the availability of committed credit facilities and other financing,
- the commercial viability of the Geismar 3 Project and the expected timing and capital cost thereof,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters,
- absence of a material negative impact from changes in laws or regulations,
- absence of a material negative impact from political instability in the countries in which we operate, and
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties.

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 primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including, without limitation:

- conditions in the methanol and other industries including fluctuations in the supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, coal, oil and oil derivatives,
- our ability to obtain natural gas feedstock on commercially acceptable terms to underpin current operations and future production growth opportunities,
- the ability to carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,
- the commercial viability of the Geismar 3 Project and our ability to meet timeline and budget targets for the Geismar 3 Project, including the impact of any cost pressures arising from labour costs,
- competing demand for natural gas, especially with respect to any domestic needs for gas and electricity,
- actions of governments and governmental authorities, including, without limitation, implementation of policies or other measures that could impact the supply of or demand for methanol or its derivatives,
- changes in laws or regulations,
- import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties and other actions by governments that may adversely affect our operations or existing contractual arrangements,
- world-wide economic conditions,
- the impacts of the COVID-19 pandemic, and
- other risks described in this 2020 MD&A.

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes implied in forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

Responsibility for Financial Reporting

The consolidated financial statements and all financial information contained in the annual report are the responsibility of management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates based on the best judgment of management.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the internal control framework set out in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The Board of Directors ("the Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee ("the Committee").

The Committee consists of five non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibility relating to: the integrity of the Company's financial statements, news releases and securities filings; the financial reporting process; the systems of internal accounting and financial controls; the professional qualifications and independence of the external auditor; the performance of the external auditors; risk management processes; financing plans; pension plans; and the Company's compliance with ethics policies and legal and regulatory requirements.

The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Professional Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG LLP has full and unrestricted access to the Committee. KPMG LLP audited the consolidated financial statements and the effectiveness of internal controls over financial reporting. Their opinions are included in the annual report.

Benita Warmbold
Chair of the Audit,
Finance and Risk Committee
March 5, 2021

John Floren
President and Chief Executive Officer

Ian Cameron
Senior Vice President, Finance and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Methanex Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Methanex Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income (loss), comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 5, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition and measurement of uncertain tax positions

As discussed in Notes 6(b) and 16 to the consolidated financial statements, the Company has identified and, in certain cases, recognized uncertain tax positions (tax positions) including associated interest and penalties. As discussed in Note 2(q) to the consolidated financial statements, the Company's tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Tax law is complex and often subject to varied interpretations. Accordingly, the ultimate outcome with respect to taxes the Company may owe may differ from the amounts recognized in the consolidated financial statements.

We identified the assessment of recognition and measurement of tax positions as a critical audit matter. Complex auditor judgment was required to evaluate the Company's interpretation of tax law and its identification and determination of the ultimate resolution of its tax positions. Additionally, the evaluation of the recognition and measurement of the Company's tax positions required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control related to (1) the interpretation of tax law and identification of tax positions, (2) the determination of the probability that the tax authorities would accept the Company's tax positions, and (3) the estimation of reserves recorded for tax positions. We involved domestic and international tax professionals with specialized skills and knowledge, who assisted in assessing the Company's tax positions by:

- inspecting tax rulings and correspondence between the Company and the applicable taxation authorities;
- inspecting transfer pricing studies and information obtained from external tax specialists and legal counsel; and
- comparing our understanding and interpretation of tax laws to the Company's evaluation.

KPMG LLP

Chartered Professional Accountants
We have served as the Company's auditor since 1992.
Vancouver, Canada
March 5, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Methanex Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Methanex Corporation's (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2020 and 2019, the related consolidated statements of income (loss), comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 5, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
March 5, 2021

Consolidated Statements of Financial Position

(thousands of U.S. dollars, except number of common shares)

As at	**Dec 31 2020**	Dec 31 2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 833,841**	$ 416,763
Trade and other receivables (note 3)	**412,000**	488,721
Inventories (note 4)	**308,696**	281,052
Prepaid expenses	**33,746**	37,805
Other assets (note 7)	**6,634**	8,180
	1,594,917	1,232,521
Non-current assets:		
Property, plant and equipment (note 5)	**3,677,056**	3,576,195
Investment in associate (note 6)	**194,025**	193,474
Deferred income tax assets (note 16)	**137,524**	111,614
Other assets (note 7)	**92,529**	82,811
	4,101,134	3,964,094
	$ 5,696,051	$ 5,196,615
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	**$ 600,953**	$ 493,754
Current maturities on long-term debt (note 8)	**39,771**	38,420
Current maturities on lease obligations (note 9)	**97,516**	89,820
Current maturities on other long-term liabilities (note 10)	**27,152**	26,252
	765,392	648,246
Non-current liabilities:		
Long-term debt (note 8)	**2,323,601**	1,730,433
Other long-term liabilities (note 10)	**327,491**	286,071
Lease obligations (note 9)	**624,718**	628,685
Deferred income tax liabilities (note 16)	**213,392**	272,820
	3,489,202	2,918,009
Equity:		
Capital stock		
25,000,000 authorized preferred shares without nominal or par value		
Unlimited authorization of common shares without nominal or par value		
Issued and outstanding common shares at December 31, 2020 were 76,201,980 (2019 – 76,196,080)	**440,723**	440,472
Contributed surplus	**1,873**	1,783
Retained earnings	**843,606**	1,039,819
Accumulated other comprehensive loss	**(137,102)**	(150,389)
Shareholders' equity	**1,149,100**	1,331,685
Non-controlling interests	**292,357**	298,675
Total equity	**1,441,457**	1,630,360
	$ 5,696,051	$ 5,196,615

Commitments and contingencies (note 22)
See accompanying notes to consolidated financial statements.

Approved by the Board:

Benita Warmbold (Director)

John Floren (Director)

Consolidated Statements of Income (Loss)

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

For the years ended December 31	2020	2019
Revenue	$ 2,649,963	$ 3,283,514
Cost of sales and operating expenses (note 11)	(2,355,123)	(2,799,937)
Depreciation and amortization (note 11)	(357,129)	(344,127)
Egypt insurance recovery (note 3)	9,839	50,000
Operating income (loss)	(52,450)	189,450
Earnings of associate (note 6)	29,577	52,218
Finance costs (note 12)	(164,837)	(124,426)
Finance income and other expenses	278	3,598
Income (loss) before income taxes	(187,432)	120,840
Income tax (expense) recovery (note 16):		
Current	(25,196)	(38,809)
Deferred	87,301	34,335
	62,105	(4,474)
Net income (loss)	$ (125,327)	$ 116,366
Attributable to:		
Methanex Corporation shareholders	$ (156,678)	$ 87,767
Non-controlling interests (note 24)	31,351	28,599
	$ (125,327)	$ 116,366
Income (loss) per common share for the period attributable to Methanex Corporation shareholders:		
Basic net income (loss) per common share (note 13)	$ (2.06)	$ 1.15
Diluted net income (loss) per common share (note 13)	$ (2.06)	$ 1.01
Weighted average number of common shares outstanding	76,196,395	76,592,413
Diluted weighted average number of common shares outstanding	76,196,395	76,692,494

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(thousands of U.S. dollars)

For the years ended December 31	2020	2019
Net income (loss)	$ (125,327)	$ 116,366
Other comprehensive income (loss):		
Items that may be reclassified to income:		
Change in fair value of cash flow hedges (note 19)	31,194	(120,540)
Forward elements excluded from hedging relationships (note 19)	(35,775)	30,571
Realized losses on foreign exchange hedges reclassified to revenue	1,804	–
Items that will not be reclassified to income:		
Actuarial loss on defined benefit pension plans (note 21(a))	(5,413)	(4,479)
Taxes on above items	(2,325)	22,049
	(10,515)	(72,399)
Comprehensive income (loss)	$ (135,842)	$ 43,967
Attributable to:		
Methanex Corporation shareholders	$ (167,193)	$ 15,368
Non-controlling interests (note 24)	31,351	28,599
	$ (135,842)	$ 43,967

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of U.S. dollars, except number of common shares)

	Number of common shares	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Shareholders' equity	Non-controlling interests	Total equity
Balance, December 31, 2018	77,263,273	$ 446,544	$ 1,597	$ 1,145,476	$ (82,404)	$ 1,511,213	$ 296,628	$ 1,807,841
Net income	–	–	–	87,767	–	87,767	28,599	116,366
Other comprehensive loss	–	–	–	(4,414)	(67,985)	(72,399)	–	(72,399)
Compensation expense recorded for stock options	–	–	212	–	–	212	–	212
Issue of shares on exercise of stock options	2,700	86	–	–	–	86	–	86
Reclassification of grant-date fair value on exercise of stock options	–	26	(26)	–	–	–	–	–
Payment for shares repurchased	(1,069,893)	(6,184)	–	(46,621)	–	(52,805)	–	(52,805)
Dividend payments to Methanex Corporation shareholders ($1.440 per common share)	–	–	–	(107,876)	–	(107,876)	–	(107,876)
Distributions made and accrued to non-controlling interests	–	–	–	–	–	–	(20,978)	(20,978)
Acquisition of non-controlling interests	–	–	–	–	–	–	(2,219)	(2,219)
Impact of adoption of IFRS 16	–	–	–	(34,513)	–	(34,513)	(3,355)	(37,868)
Balance, December 31, 2019	76,196,080	$ 440,472	$ 1,783	$ 1,039,819	$ (150,389)	$ 1,331,685	$ 298,675	$ 1,630,360
Net income (loss)	**–**	**–**	**–**	**(156,678)**	**–**	**(156,678)**	**31,351**	**(125,327)**
Other comprehensive loss	**–**	**–**	**–**	**(3,531)**	**(6,984)**	**(10,515)**	**–**	**(10,515)**
Compensation expense recorded for stock options	**–**	**–**	**137**	**–**	**–**	**137**	**–**	**137**
Issue of shares on exercise of stock options	**5,900**	**204**	**–**	**–**	**–**	**204**	**–**	**204**
Reclassification of grant-date fair value on exercise of stock options	**–**	**47**	**(47)**	**–**	**–**	**–**	**–**	**–**
Dividend payments to Methanex Corporation shareholders ($0.473 per common share)	**–**	**–**	**–**	**(36,004)**	**–**	**(36,004)**	**–**	**(36,004)**
Distributions made and accrued to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(36,455)**	**(36,455)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(6,714)**	**(6,714)**
Equity contributions by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**5,500**	**5,500**
Realized hedge losses recognized in cash flow hedges	**–**	**–**	**–**	**–**	**20,271**	**20,271**	**–**	**20,271**
Balance, December 31, 2020	**76,201,980**	**$ 440,723**	**$ 1,873**	**$ 843,606**	**$ (137,102)**	**$ 1,149,100**	**$ 292,357**	**$ 1,441,457**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of U.S. dollars)

For the years ended December 31	2020	2019
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		
Net income (loss)	$ (125,327)	$ 116,366
Deduct earnings of associate	(29,577)	(52,218)
Dividends received from associate	29,026	56,159
Add (deduct) non-cash items:		
Depreciation and amortization	357,129	344,127
Income tax expense (recovery)	(62,105)	4,474
Share-based compensation expense (recovery)	55,253	(3,950)
Finance costs	164,837	124,426
Other	13,151	(901)
Income taxes paid	(2,871)	(43,909)
Other cash payments, including share-based compensation	(3,357)	(38,569)
Cash flows from operating activities before undernoted	396,159	506,005
Changes in non-cash working capital (note 17(a))	64,923	9,426
	461,082	515,431
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		
Payments for repurchase of shares	–	(52,805)
Dividend payments to Methanex Corporation shareholders	(36,004)	(107,876)
Interest paid	(165,450)	(115,283)
Net proceeds on issue of long-term debt	865,415	695,533
Repayment of long-term debt and financing fees	(295,917)	(388,216)
Draw on revolving credit facility	300,000	–
Repayment of revolving credit facility	(300,000)	–
Repayment of lease obligations	(106,834)	(101,812)
Restricted cash for debt service accounts	(4,322)	(10,067)
Equity contributions by / acquisitions of non-controlling interests	(1,214)	–
Cash distributions to non-controlling interests	(34,658)	(23,613)
Proceeds on issue of shares on exercise of stock options	204	86
Proceeds from limited recourse debt	12,839	–
	234,059	(104,053)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Property, plant and equipment	(128,786)	(208,467)
Geismar plant under construction	(213,030)	(115,393)
Restricted cash for capital projects	1,772	61,657
Proceeds from sale of assets	9,828	–
Changes in non-cash working capital related to investing activities (note 17(a))	52,153	11,511
	(278,063)	(250,692)
Increase in cash and cash equivalents	417,078	160,686
Cash and cash equivalents, beginning of year	416,763	256,077
Cash and cash equivalents, end of year	$ 833,841	$ 416,763

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollar amounts are shown in thousands of U.S. dollars, except where noted)
Year ended December 31, 2020

1. Nature of operations:

Methanex Corporation ("the Company") is an incorporated entity with corporate offices in Vancouver, Canada. The Company's operations consist of the production and sale of methanol, a commodity chemical. The Company is the world's largest producer and supplier of methanol to the major international markets of Asia Pacific, North America, Europe and South America.

2. Significant accounting policies:

a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 5, 2021.

b) Basis of presentation and consolidation:

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, less than wholly-owned entities for which it has a controlling interest and its equity-accounted joint venture. Wholly-owned subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For less than wholly-owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's consolidated financial statements and represents the non-controlling shareholders' interest in the net assets of the entity. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. The areas of estimation and judgment that management considers most significant are property, plant and equipment (note 2(g)), financial instruments (note 2(o)), fair value measurements (note 2(p)), leases (note 2(i)), and income taxes (note 2(q)). Actual results could differ from those estimates.

c) Reporting currency and foreign currency translation:

Functional currency is the currency of the primary economic environment in which an entity operates. The majority of the Company's business in all jurisdictions is transacted in United States dollars and, accordingly, these consolidated financial statements have been measured and expressed in that currency. The Company translates foreign currency denominated monetary items at the period-end exchange rates, foreign currency denominated non-monetary items at historic rates and revenues and expenditures at the exchange rates at the dates of the transactions. Foreign exchange gains and losses are included in earnings.

d) Cash and cash equivalents:

Cash and cash equivalents include securities with maturities of three months or less when purchased.

e) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and records provisions for expected credit losses for receivables measured at amortized cost. The Company records an allowance for doubtful accounts or writes down the receivable to estimated net realizable value, if not collectible in full, based on expected credit losses. Expected credit losses are based on historic and forward looking customer specific factors including historic credit losses incurred.

f) Inventories:

Inventories are valued at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis and includes direct purchase costs, cost of production, allocation of production overhead and depreciation based on normal operating capacity and transportation.

g) Property, plant and equipment:

Initial recognition

Property, plant and equipment are initially recorded at cost. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on self-constructed assets that meet certain criteria. Borrowing costs incurred during construction and commissioning are capitalized until the plant is operating in the manner intended by management.

Subsequent costs

Routine repairs and maintenance costs are expensed as incurred. At regular intervals, the Company conducts a planned shutdown and inspection (turnaround) at its plants to perform major maintenance and replacement of catalysts. Costs associated with these shutdowns are capitalized and amortized over the period until the next planned turnaround and the carrying amounts of replaced components are derecognized and included in earnings.

Depreciation

Depreciation and amortization is generally provided on a straight-line basis at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value.

The estimated useful lives of the Company's buildings, plant installations and machinery at installation, excluding costs related to turnarounds, initially ranges from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to the various production facilities. The estimated useful life of production facilities may be adjusted from time-to-time based on turnarounds, plant refurbishments and gas availability. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas and the expected price of securing natural gas supply. The Company reviews the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

Recoverability of Asset Carrying Values

Long-lived assets are tested for recoverability whenever events or changes in circumstances, either internal or external, indicate that the carrying amount may not be recoverable ("triggering events"). Examples of such triggering events related to our long-lived assets may include, but are not restricted to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a change in management's intention or strategy for the asset, which includes a plan to dispose of the asset or idle the asset for a significant period of time; a significant adverse change in our long-term methanol price assumption or in the price or availability of natural gas feedstock required to manufacture methanol; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use.

When a triggering event is identified, recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less costs to sell or its value in use. Fair value less costs of disposal is determined by estimating the price that would be received to sell an asset in an orderly transaction between market participants under current market conditions, less incremental costs directly attributable to the disposal, excluding finance costs and income tax expense. Value in use is determined by measuring the pre-tax cash flows expected to be generated from the cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded if the carrying value exceeds the estimated recoverable amount. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For the purposes of recognition and measurement of an impairment writedown or reversal, we group our long-lived assets with other assets and liabilities to form a "cash-generating unit" at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. To the extent that our methanol facilities in a particular location are interdependent as a result of common infrastructure and/or feedstock from shared sources that can be shared within a facility location, we group our assets based on site locations for the purpose of determining impairment.

There are two key variables that impact our estimate of future cash flows from producing assets: (1) the methanol price and (2) the price and availability of natural gas feedstock. Short-term methanol price estimates are based on current supply and demand fundamentals and current methanol prices. Long-term methanol price estimates are based on our view of long-term supply and demand, incorporating third-party assumptions, forecasts and market observable prices when appropriate. Consideration is given to many factors, including, but not limited to, estimates of global industrial production rates, energy prices, changes in general economic conditions, the ability for the industry to add further global methanol production capacity and earn an appropriate return on capital, industry operating rates and the global industry cost structure. Our estimate of the price and availability of natural gas takes into consideration the current contracted terms, as well as factors that we believe are relevant to supply under these contracts and supplemental natural gas sources. Other assumptions included in our estimate of future cash flows include the estimated cost incurred to maintain the facilities, estimates of transportation costs and other variable costs incurred in producing methanol in each period. Changes in these assumptions will impact our estimates of future cash flows and could impact our estimates of the useful lives of property, plant and equipment. Consequently, it is possible that our future operating results could be adversely affected by further asset impairment charges or by changes in depreciation and amortization rates related to property, plant and equipment. In relation to previous impairment charges, we do not believe that there are significant changes in events or circumstances that would support their reversal.

h) Other assets:

Intangible assets are capitalized to other assets and amortized to depreciation and amortization expense on an appropriate basis to charge the cost of the assets against earnings.

Financing fees related to undrawn credit facilities are capitalized to other assets and amortized to finance costs over the term of the credit facility.

i) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is assessed for impairment losses, should a trigger be identified and adjusted for impairment if required. Lease terms range up to 18 years for vessels, terminals, equipment, and other items.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by an event or a significant change in circumstances.

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges for ocean vessels and terminal facilities. Judgment is applied in the determination of the stand-alone price of the lease and non-lease components.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, except for terminal and vessel leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

j) Site restoration costs:

The Company recognizes a liability to dismantle and remove assets or to restore a site upon which the assets are located. The Company estimates the present value of the expenditures required to settle the liability by determining the current market cost required to settle the site restoration costs, adjusts for inflation through to the expected date of the expenditures and then discounts this amount back to the date when the obligation was originally incurred. As the liability is initially recorded on a discounted basis, it is increased each period until the estimated date of settlement. The resulting expense is referred to as accretion expense and is included in finance costs. The Company reviews asset retirement obligations and adjusts the liability and corresponding asset as necessary to reflect changes in the estimated future cash flows, timing, inflation and discount rates underlying the measurement of the obligation.

k) Employee future benefits:

The Company has non-contributory defined benefit pension plans covering certain employees and defined contribution pension plans. The Company does not provide any significant post-retirement benefits other than pension plan benefits. For defined benefit pension plans, the net of the present value of the defined benefit obligation and the fair value of plan assets is recorded to the consolidated statements of financial position. The determination of the defined benefit obligation and associated pension cost is based on certain actuarial assumptions including inflation rates, mortality, plan expenses, salary growth and discount rates. The present value of the net defined benefit obligation (asset) is determined by discounting the net estimated future cash flows using current market bond yields that have terms to maturity approximating the terms of the net obligation. Actuarial gains and losses arising from differences between these assumptions and actual results are recognized in other comprehensive income and recorded in retained earnings. The Company recognizes gains and losses on the settlement of a defined benefit plan in income when the settlement occurs. The cost for defined contribution benefit plans is recognized in net income (loss) as earned by the employees.

l) Share-based compensation:

The Company grants share-based awards as an element of compensation. Share-based awards granted by the Company can include stock options, tandem share appreciation rights, share appreciation rights, deferred share units, restricted share units or performance share units.

For stock options granted by the Company, the cost of the service received is measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in contributed surplus. On the exercise of stock options, consideration received, together with the compensation expense previously recorded to contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option tranche at the date of grant.

Share appreciation rights ("SARs") are units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price that is determined at the date of grant. Tandem share appreciation rights (“TSARs”) give the holder the choice between exercising a regular stock option or a SAR. For SARs and TSARs, the cost of the service received is initially measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. For SARs and TSARs, the liability is re-measured at each reporting date based on an estimate of the fair value with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date. The Company uses the Black-Scholes option pricing model to estimate the fair value for SARs and TSARs.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash based on the market value of the Company’s common shares and are non-dilutive to shareholders.

Performance share units granted prior to 2019 have an additional feature where the ultimate number of units that vest will be determined by the Company’s total shareholder return in relation to a predetermined target over the period to vesting. The number of units that will ultimately vest will be in the range 25% to 150% based on the weighted-average closing share price for the 90 calendar days on the NASDAQ Global Select Market immediately preceding the year end date that the performance share units vest.

Performance share units granted in 2019 onwards reflect a new long-term incentive plan. The performance share units granted under the new plan are redeemable for cash based on the market value of the Company’s common shares and are non-dilutive to shareholders. They vest over three years and include two performance factors: (i) relative total shareholder return of Methanex shares versus a specific market index (the market performance factor) and (ii) three year average Return on Capital Employed (“ROCE”) (the non-market performance factor). The market performance factor is measured by the Company at the grant date and reporting date using a Monte-Carlo simulation model to determine fair value. The non-market performance factor reflects management’s best estimate of ROCE over the performance period (using actual ROCE as applicable) to determine the expected number of units to vest. Based on these performance factors the performance share unit payout will range between 0% to 200%.

For deferred, restricted and performance share units, the cost of the service received as consideration is initially measured based on the market value of the Company’s common shares at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. Deferred, restricted and performance share units are re-measured at each reporting date based on the market value of the Company’s common shares with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date.

Additional information related to the stock option plan, TSARs, SARs and the deferred, restricted and performance share units is described in note 14.

m) Net income (loss) per common share:

The Company calculates basic net income (loss) per common share by dividing net income (loss) attributable to Methanex shareholders by the weighted average number of common shares outstanding and calculates diluted net income (loss) per common share under the treasury stock method. Under the treasury stock method, diluted net income (loss) per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, TSARs were exercised or converted to common shares. Stock options and TSARs are considered dilutive when the average market price of the Company’s common shares during the period disclosed exceeds the exercise price of the stock option or TSAR.

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

The calculation of basic net income (loss) per common share and a reconciliation to diluted net income (loss) per common share is presented in note 13.

n) Revenue recognition:

Revenue is recognized based on individual contract terms at the point in time when control of the product transfers to the customer, which usually occurs at the time shipment is made. Revenue is recognized at the time of delivery to the customer’s location if the contractual performance obligation has not been met during shipment. For methanol sold on a consignment basis, revenue is recognized at the point in time the customer draws down the consigned methanol. Revenue is measured and recorded at the most likely amount of consideration the Company expects to receive.

By contract, the Company sells all the methanol produced by the Atlas Joint Venture and earns a commission on the sale of the methanol. As the Company obtains title and control of the methanol from the Atlas facility and directs the sale of the methanol to the Company's customers, the Company recognizes the revenue on these sales to customers at the gross amount receivable from the customers based on the Company's revenue recognition policy noted above. Cost of sales is recognized for these sales as the amount due to the Atlas Joint Venture which is the gross amount receivable less the commission earned by the Company.

o) Financial instruments:

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods is dependent on the classification of the respective financial instrument. Financial instruments are classified into one of three categories and, depending on the category, will either be measured at amortized cost or fair value with fair value changes either recorded through profit or loss or other comprehensive income. All non-derivative financial instruments held by the Company are classified and measured at amortized cost.

The Company enters into derivative financial instruments to manage certain exposures to commodity price and foreign exchange volatility. Under these standards, derivative financial instruments, including embedded derivatives, are classified as fair value through profit or loss and are recorded in the consolidated statements of financial position at fair value unless they are in accordance with the Company's normal purchase, sale or usage requirements. The valuation of derivative financial instruments is a critical accounting estimate due to the complex nature of these instruments, the degree of judgment required to appropriately value these instruments and the potential impact of such valuation on the Company's financial statements. The Company records all changes in fair value of derivative financial instruments in profit or loss unless the instruments are designated as cash flow hedges. The Company enters into and designates as cash flow hedges certain forward contracts to hedge its highly probable forecast natural gas purchases and certain forward exchange purchase and sales contracts to hedge foreign exchange exposure on anticipated purchases or sales. The Company assesses at inception and on an ongoing basis whether the hedges are and continue to be effective in offsetting changes in the cash flows of the hedged transactions. The effective portion of changes in the fair value of these hedging instruments is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in profit or loss. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in commodity prices, foreign currency exchange rates or variable interest rates.

Assessment of contracts as derivative instruments, applicability of the own use exemption, determination of whether hybrid instruments contain embedded derivatives to be separated, the valuation of financial instruments and derivatives and hedge effectiveness assessments require a high degree of judgment and are considered critical accounting estimates due to the complex nature of these products and the potential impact on our financial statements.

p) Fair value measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements within the scope of IFRS 13 are categorized into Level 1, 2 or 3 based on the degree to which the inputs are observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Financial instruments measured at fair value and categorized within the fair value hierarchy are disclosed in note 19.

q) Income taxes:

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period calculated using tax rates that have been enacted or substantively enacted by the reporting date. Income taxes relating to uncertain tax positions are provided for based on the Company's best estimate. Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

The Company accrues for taxes that will be incurred upon distributions from its subsidiaries when it is probable that the earnings will be repatriated.

Uncertain tax positions, including interest and penalties, are recognized and measured applying management estimates. Given the complexity, management engages third-party experts as required, for the interpretation of tax law, transfer pricing regulations and determination of the ultimate resolution of its tax positions. The Company is subject to various taxation authorities who may interpret tax legislation differently, and resolve matters over longer-periods of time. The differences in judgement in assessing uncertain tax positions may result in material differences in the final amount or timing of the payment of taxes or settlement of tax assessments.

r) Provisions:

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

s) Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

t) Application of new and revised accounting standards:

We have adopted the amendments to IFRS 16, Leases regarding Covid-19 – Related Rent Concessions, which were effective retrospectively for annual periods beginning on or after January 1, 2020. The amendments did not have a material impact on the Company's consolidated financial statements.

u) Anticipated changes to International Financial Reporting Standards:

The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2021 will have a significant impact on the Company's results of operations or financial position.

The Company does not expect the implementation of amendments to IAS 16, Property, Plant, and Equipment, regarding the accounting for proceeds before intended use, effective for annual periods beginning on or after January 1, 2022 to have a significant impact on the Company's results of operations or financial position.

3. Trade and other receivables:

As at	Dec 31 2020	Dec 31 2019
Trade	**$ 335,988**	$ 343,959
Egypt insurance recovery(a)	**–**	50,000
Value-added and other tax receivables	**22,903**	44,408
Other	**53,109**	50,354
	$ 412,000	$ 488,721

Egypt insurance recovery:

We experienced an outage at the Egypt plant from April to August 2019. As at December 31, 2019, the insurance recovery of $50 million ($25 million our share), which partially offsets repair costs charged to earnings and lost margins incurred in the second and third quarters of 2019, had not yet been collected from our insurers. The final recovery of $60 million ($30 million our share) was collected in March 2020, leaving nil outstanding as at December 31, 2020.

4. Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. The amount of inventories recognized as an expense in cost of sales and operating expenses and depreciation and amortization for the year ended December 31, 2020 is $2,189 million (2019 – $2,742 million).

5. Property, plant and equipment:

	Owned Assets (a)	Right-of-use assets (b)	Total
Net book value at December 31, 2020	**$ 3,052,060**	**$ 624,996**	**$ 3,677,056**
Net book value at December 31, 2019	$ 2,940,777	$ 635,418	$ 3,576,195

a) Owned assets:

	Buildings, plant installations and machinery	Plants under construction	Ocean going vessels	Other	TOTAL
Cost at January 1, 2020	**$ 4,787,515**	**$ 155,871**	**$ 201,947**	**$ 154,468**	**$ 5,299,801**
Additions	**116,850**	**231,034**	**20,838**	**1,414**	**370,136**
Disposals and other	**(42,453)**	**—**	**(12,686)**	**—**	**(55,139)**
Cost at December 31, 2020	**4,861,912**	**386,905**	**210,099**	**155,882**	**5,614,798**
Accumulated depreciation at January 1, 2020	**2,215,060**	**—**	**25,448**	**118,516**	**2,359,024**
Disposals and other	**(31,058)**	**—**	**(8,601)**	**(29)**	**(39,688)**
Depreciation	**229,174**	**—**	**11,079**	**3,149**	**243,402**
Accumulated depreciation at December 31, 2020	**2,413,176**	**—**	**27,926**	**121,636**	**2,562,738**
Net book value at December 31, 2020	**$ 2,448,736**	**$ 386,905**	**$ 182,173**	**$ 34,246**	**$ 3,052,060**

	Buildings, plant installations and machinery	Plants under construction	Ocean going vessels	Other	TOTAL
Cost at January 1, 2019	$ 4,698,142	$ —	$ 183,419	$ 189,058	$ 5,070,619
Additions	150,570	118,249	57,479	4,338	330,636
Disposals and other	(61,197)	—	(38,951)	(1,306)	(101,454)
Transfers [1]	—	37,622	—	(37,622)	—
Cost at December 31, 2019	4,787,515	155,871	201,947	154,468	5,299,801
Accumulated depreciation at January 1, 2019	2,047,735	—	48,426	117,192	2,213,353
Disposals and other	(63,169)	—	(31,620)	(1,597)	(96,386)
Depreciation	230,494	—	8,642	2,921	242,057
Accumulated depreciation at December 31, 2019	2,215,060	—	25,448	118,516	2,359,024
Net book value at December 31, 2019	$ 2,572,455	$ 155,871	$ 176,499	$ 35,952	$ 2,940,777

[1] During 2019, the Company reclassified $38 million of assets, including $19 million of land, relating to the construction of Geismar 3 from Other to Plants under construction.

In Trinidad we have indefinitely idled the Titan plant, because we have not been successful in securing a commercially acceptable long-term gas supply agreement. This led to the decision to restructure our operations in Trinidad to support a one-plant operation dedicated to the operation of our Atlas plant. As a result, we have identified an impairment indicator in our Titan cash generating unit (“Titan CGU”). The impairment test performed on the Titan CGU resulted in no impairment as the estimated recoverable value, determined on a fair value less costs of disposal methodology, exceeded the carrying value. The estimated recoverable value was based on an operating period for Titan aligned to natural gas reserves estimates in Trinidad with no terminal value, discounted at an after-tax rate of 13%.

The following table indicates the percentages by which key assumptions would need to change individually for the estimated Titan CGU recoverable value to be equal to the carrying value:

Key Assumptions	Change Required for Carrying Value to Equal Recoverable Value
Long-term average realized price	3 percent decrease
Production volumes	11 percent decrease
Gas price	7 percent increase
Discount rate (after-tax)	330 basis points increase

The sensitivity above has been prepared considering each variable independently. Historically, our natural gas contracts in Trinidad have included terms whereby a change in methanol price results in a change in natural gas price, protecting margins should revenue decrease.

b) Right-of-use (leased) assets:

	Ocean going vessels	Terminals and tanks	Plant installations and machinery	Other	TOTAL
Cost at January 1, 2020	**$ 514,661**	**$ 221,303**	**$ 23,613**	**$ 38,520**	**$ 798,097**
Additions	**86,214**	**25,758**	**148**	**1,885**	**114,005**
Disposals and other	**(18,803)**	**(508)**	**–**	**(735)**	**(20,046)**
Cost at December 31, 2020	**582,072**	**246,553**	**23,761**	**39,670**	**892,056**
Accumulated depreciation at January 1, 2020	**89,643**	**59,240**	**7,867**	**5,929**	**162,679**
Disposals and other	**(13,727)**	**–**	**–**	**(299)**	**(14,026)**
Depreciation	**76,700**	**32,594**	**2,541**	**6,572**	**118,407**
Accumulated depreciation at December 31, 2020	**152,616**	**91,834**	**10,408**	**12,202**	**267,060**
Net book value at December 31, 2020	**$ 429,456**	**$ 154,719**	**$ 13,353**	**$ 27,468**	**$ 624,996**

	Ocean going vessels	Terminals and tanks	Plant installations and machinery	Other	TOTAL
Cost at January 1, 2019	$ 370,654	$ 207,721	$ 19,705	$ 30,399	$ 628,479
Additions	144,764	13,582	3,908	9,738	171,992
Disposals and other	(757)	–	–	(1,617)	(2,374)
Cost at December 31, 2019	514,661	221,303	23,613	38,520	798,097
Accumulated depreciation at January 1, 2019	15,204	29,333	5,444	–	49,981
Disposals and other	–	–	–	–	–
Depreciation	74,439	29,907	2,423	5,929	112,698
Accumulated depreciation at December 31, 2019	89,643	59,240	7,867	5,929	162,679
Net book value at December 31, 2019	$ 425,018	$ 162,063	$ 15,746	$ 32,591	$ 635,418

6. Investment in associate:

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

Consolidated statements of financial position as at	Dec 31 2020	Dec 31 2019
Cash and cash equivalents	$ 40,815	$ 50,149
Other current assets[1]	65,434	60,709
Non-current assets	256,421	241,860
Current liabilities[1]	(43,057)	(28,191)
Other long-term liabilities, including current maturities	(133,079)	(138,866)
Net assets at 100%	$ 186,534	$ 185,661
Net assets at 63.1%	$ 117,703	$ 117,152
Long-term receivable from Atlas[1]	76,322	76,322
Investment in associate	$ 194,025	$ 193,474

Consolidated statements of income for the years ended December 31	2020	2019
Revenue[1]	$ 250,996	$ 359,425
Cost of sales and depreciation and amortization	(170,714)	(217,333)
Operating income	80,282	142,092
Finance costs, finance income and other expenses	(10,297)	(11,381)
Income tax expense	(23,112)	(47,957)
Net earnings at 100%	$ 46,873	$ 82,754
Earnings of associate at 63.1%	$ 29,577	$ 52,218
Dividends received from associate	$ 29,026	$ 56,159

[1] Includes related party transactions between Atlas and the Company (see note 23).

b) Atlas Tax Assessments:

The Board of Inland Revenue of Trinidad and Tobago ("the BIR") has audited and issued assessments against Atlas in respect of the 2005 to 2014 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed-price sales contracts with affiliates that commenced in 2005 and continued with affiliates through 2019.

The long-term fixed-price sales contracts with affiliates were established as part of the formation of Atlas and management believes were reflective of market considerations at that time.

During the periods under assessment and continuing through 2014, approximately 50% of Atlas-produced methanol was sold under these fixed-price contracts. From late 2014 through 2019 fixed-price sales represented approximately 10% of Atlas produced methanol. Atlas had partial relief from corporation income tax until late July 2014.

The Company believes it is impractical to disclose a reasonable estimate of the potential contingent liability due to the wide range of assumptions and interpretations implicit in the assessments.

The Company has lodged objections to the assessments. No deposits have been required to lodge objections. Based on the merits of the cases and advice from legal counsel, the Company believes its position should be sustained, that Atlas has filed its tax returns and paid applicable taxes in compliance with Trinidadian tax law, and as such has not accrued for any amounts relating to these assessments. Contingencies inherently involve the exercise of significant judgment, and as such the outcomes of these assessments and the financial impact to the Company could be material.

The Company anticipates the resolution of this matter in the court system to be lengthy and, at this time, cannot predict a date as to when this matter is expected to be ultimately resolved.

7. Other assets:

As at	Dec 31 2020	Dec 31 2019
Restricted cash for debt service[(a)]	$ 26,915	$ 22,648
Restricted cash for debt service and major maintenance of vessels[(a)]	15,064	13,505
Restricted cash relating to government grants	–	3,260
Chile VAT receivable	22,118	20,874
Deferred financing fees	8,813	3,010
Investment in Carbon Recycling International	4,620	4,620
Defined benefit pension plans (note 21)	4,794	5,856
Other	16,839	17,218
Total other assets	$ 99,163	$ 90,991
Less current portion[(b)]	(6,634)	(8,180)
	$ 92,529	$ 82,811

a) Restricted cash

The Company holds $42.0 million (2019 - $39.4 million) of restricted cash for the funding of debt service and major maintenance accounts.

b) Current portion of other assets

Other assets presented as current assets as at December 31, 2020 includes $6.2 million of restricted cash for major maintenance, in particular the anticipated dry docking of two vessels, as well as $0.4 million for the current portion of the North America gas hedge (see note 19).

8. Long-term debt:

As at	Dec 31 2020	Dec 31 2019
Unsecured notes		
(i) $250 million at 5.25% due March 1, 2022	$ –	$ 248,912
(ii) $300 million at 4.25% due December 1, 2024	297,999	297,607
(iii) $700 million at 5.125% due October 15, 2027	691,434	–
(iv) $700 million at 5.25% due December 15, 2029	694,282	693,822
(v) $300 million at 5.65% due December 1, 2044	295,410	295,321
	1,979,125	1,535,662
Geismar 3 construction facility at LIBOR+3%	176,335	–
Egypt limited recourse debt facilities	46,948	75,165
Other limited recourse debt facilities		
(i) LIBOR+0.75% to LIBOR+2.5% due through 2019 to 2021	–	1,526
(ii) 5.58% due through June 30, 2031	69,734	73,700
(iii) 5.35% due through September 30, 2033	78,391	82,800
(iv) 5.08% due through September 15, 2036	12,839	–
	160,964	158,026
Total long-term debt[1]	2,363,372	1,768,853
Less current maturities[1]	(39,771)	(38,420)
	$ 2,323,601	$ 1,730,433

[1] Long-term debt and current maturities are presented net of discounts and deferred financing fees of $25.4 million as at December 31, 2020 (2019 - $20.4 million).

The Egypt limited recourse debt facilities have interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.6% to 1.9% per annum. Principal is paid in 24 semi-annual payments, which commenced in September 2010.

Other limited recourse debt facilities relate to financing for certain ocean going vessels which we own through less than wholly-owned entities under the Company's control. During 2020, the Company, through 50% owned entities, issued other limited recourse debt for $13 million bearing an interest rate of 5.08% with principal repayments due through September 2036. The debt will be used to acquire one ocean going vessel with expected delivery in in 2021.

For the year ended December 31, 2020, non-cash accretion, on an effective interest basis, of deferred financing costs included in finance costs was $3.6 million (2019 - $3.6 million).

The gross minimum principal payments for long-term debt in aggregate and for each of the five succeeding years are as follows:

	Egypt limited recourse debt facilities	Other limited recourse debt facilities	Unsecured notes	Construction Facility[1]	Total
2021	$ 31,552	$ 8,824	$ —	**$** —	$ 40,376
2022	16,606	11,778	—	—	28,384
2023	—	12,424	—	—	12,424
2024	—	12,576	300,000	173,000	485,576
2025	—	13,654	—	—	13,654
Thereafter	—	105,002	1,700,000	—	1,805,002
	$ 48,158	$ 164,258	$ 2,000,000	$ 173,000	$ 2,385,416

[1] Balance in long-term debt exceeds the principal payments by $3.3 million due the treatment for modification of interest terms.

During the year ended December 31, 2020, the Company issued $700 million of senior unsecured notes bearing a coupon of 5.125%, due October 15, 2027 and repaid $250 million of unsecured notes due March 1, 2022.

Additionally, the Company drew down $173 million of the $800 million non-revolving construction facility for the Geismar 3 project. The Company also has access to a $300 million committed revolving credit facility which is undrawn as at December 31, 2020. Both facilities are with a syndicate of highly rated financial institutions and expire in July 2024.

The covenants governing the Company's unsecured notes, which are specified in an indenture, apply to the Company and its subsidiaries, excluding entities which we control but do not fully own, and include restrictions on liens, sale and lease-back transactions, a merger or consolidation with another corporation or sale of all or substantially all of the Company's assets. The indenture also contains customary default provisions.

Significant covenants and default provisions under both facilities include:

i) the obligation to maintain an EBITDA to interest coverage ratio of not less than or equal to 2:1 calculated on a four-quarter trailing basis where for only one quarter during the term of the credit facility the ratio can be as low as, but not less than 1.25:1, and a debt to capitalization ratio of less than or equal to 57.5%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments related to the limited recourse subsidiaries,

ii) a default if payment is accelerated by a creditor on any indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries, and

iii) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of $50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

The credit facilities are secured by certain assets of the Company, and also include other customary covenants including restrictions on the incurrence of additional indebtedness, restrictions against the sale or abandonment of the Geismar 3 project, as well as requirements associated with completion of plant construction and commissioning.

During the year ended December 31, 2020, the Company amended the terms of the committed revolving credit facility and the non-revolving construction facility for the Geismar 3 project, with the lenders modifying and waiving certain covenants. As part of the amendments, the debt to capitalization ratio has been increased to 60% for all the measurement periods starting on June 30, 2020 and ending on June 30, 2023. Additionally, the minimum interest coverage ratio threshold was lowered or waived for each of the measurement periods starting June 30, 2020 and ending on December 31, 2021. The impact on the remaining periods for which the waivers apply is as follows:

Four quarters ended	Minimum interest coverage ratio[2]	Minimum EBITDA[1 2]
Q4 2020	not applicable	$25 million
Q1 2021	not applicable	$30 million
Q2 2021	not applicable	$70 million
Q3 2021	1.00x	not applicable
Q4 2021	1.25x	not applicable
Q1 2022 & thereafter	2.00x	not applicable

1 EBITDA is defined under the terms of the credit facilities.
2 The minimum EBITDA or minimum interest coverage ratio provision may be fully waived for any two of the remaining measurement periods until Q4 2021.

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

The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other shareholder distributions. Shareholder distributions are not permitted unless the average gas deliveries over the prior 12 months are greater than 70% of gas nominations.

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

As at December 31, 2020, management believes the Company was in compliance with all significant terms and default provisions related to long-term debt obligations.

9. Lease obligations:

	2020	2019
Opening lease obligations	**$ 718,505**	$ 652,642
Additions, net of disposals	**108,763**	168,216
Interest expense	**47,871**	43,288
Lease payments	**(154,727)**	(145,100)
Effect of movements in exchange rates and other	**1,822**	(541)
Lease obligations at December 31	**722,234**	718,505
Less: current portion	**(97,516)**	(89,820)
Lease obligations – non current portion	**$ 624,718**	$ 628,685

The Company incurs lease payments related to ocean vessels, terminal facilities, rail cars, vehicles and equipment, and office facilities. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets.

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2020:

	Lease payments	Interest component	Lease obligations
2021	$ 142,096	$ 44,580	$ 97,516
2022	118,139	40,075	78,064
2023	110,354	35,760	74,594
2024	101,467	31,622	69,845
2025	90,875	27,370	63,505
Thereafter	419,456	80,746	338,710
	$ 982,387	$ 260,153	$ 722,234

Variable lease payments and short-term and low value leases

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges for ocean vessels and terminal facilities. The total expense recognized in cost of sales relating to operating charges for 2020 was $91.8 million (2019 - $83.7 million). Short-term leases are leases with a lease term of twelve months or less while low-value leases comprised of information technology and miscellaneous equipment. Such items recognized within cost of sales in 2020 were $0.3 million (2019 - $0.5 million).

Extension options

Some leases contain extension options exercisable by the Company. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses, at lease commencement, whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Total potential future lease payments not included in the lease liabilities should the Company exercise these extension options totals $53.4 million (2019 - $70.6 million).

	Lease liabilities recognized (discounted)	Potential future lease payments not included in lease liabilities (undiscounted)
Ocean going vessels	$ 472,322	$ 5,994
Terminals and tanks	194,938	30,161
Other	54,974	17,209
Total	$ 722,234	$ 53,364

Leases not yet commenced

As at December 31, 2020, the Company has entered into lease agreements for which the leases have not yet commenced. Total exposure to undiscounted future cash outflows not reflected in lease liabilities is $550.8 million (2019 - $6.6 million). The leases not yet commenced as at December 31, 2020 related solely to ocean vessels, with the majority comprised of the addition of 8 new dual-fuel ocean going vessels from 2021-2023 with 15-year terms, replacing expiring time charter vessels. The leases not yet commenced as at December 31, 2019 related to storage tank agreements now in place.

10. Other long-term liabilities:

As at	Dec 31 2020	Dec 31 2019
Cash flow hedges (note 19)	$ 180,798	$ 195,124
Share-based compensation liability (note 14)	71,913	18,382
Defined benefit pension plans (note 21)	36,646	28,121
Site restoration costs	31,941	31,092
Land mortgage	29,430	29,849
Government grant construction obligation	—	3,173
Other	3,915	6,582
	354,643	312,323
Less current maturities	(27,152)	(26,252)
	$ 327,491	$ 286,071

Site restoration costs:

The Company has accrued liabilities related to the decommissioning and reclamation of its methanol production sites and oil and gas properties. Because of uncertainties in estimating the amount and timing of the expenditures related to the sites, actual results could differ from the amounts estimated. As at December 31, 2020, the total undiscounted amount of estimated cash flows required to settle the liabilities was $35.5 million (2019 - $38.1 million). The movement in the provision during the year is explained as follows:

	2020	2019
Balance at January 1	$ 31,092	$ 27,638
New or revised provisions	423	2,638
Accretion expense	426	816
Balance at December 31	$ 31,941	$ 31,092

11. Expenses:

For the years ended December 31	2020	2019
Cost of sales	$ 2,107,533	$ 2,570,840
Selling and distribution	498,126	498,738
Administrative expenses	106,593	74,486
Total expenses by function	$ 2,712,252	$ 3,144,064
Cost of raw materials and purchased methanol	1,705,387	2,169,027
Ocean freight and other logistics	328,635	334,650
Employee expenses, including share-based compensation	246,779	184,171
Other expenses	74,322	112,089
Cost of sales and operating expenses	2,355,123	2,799,937
Depreciation and amortization	357,129	344,127
Total expenses by nature	$ 2,712,252	$ 3,144,064

For the year ended December 31, 2020 we recorded a share-based compensation expense of $55.3 million (2019 – recovery of $4.0 million), the majority of which is included in administrative expenses for the total expenses by function presentation above.

Included in cost of sales is $251 million (2019 - $359 million) of cost of sales which are recognized as sales to Methanex in our Atlas equity investee’s statements of income.

12. Finance costs:

For the years ended December 31	2020	2019
Finance costs before capitalized interest	$ 182,841	$ 127,282
Less capitalized interest	(18,004)	(2,856)
Finance costs	$ 164,837	$ 124,426

Finance costs are primarily comprised of interest on the unsecured notes, credit and construction facilities, limited recourse debt facilities, finance lease obligations, amortization of deferred financing fees, and accretion expense associated with site restoration costs. In the year ended December 31, 2020, finance costs also included a make-whole interest charge of $15.4 million in the third quarter for the early redemption of the $250 million unsecured notes originally due March 2022. The Company increased borrowings, including drawing and repaying its revolving credit facility within the year, primarily as a precautionary measure to increase liquidity in light of the uncertainty associated with the impacts of COVID-19. Interest during construction projects is capitalized until the plant is substantially completed and ready for productive use.

13. Net income (loss) per common share:

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

Outstanding TSARs may be settled in cash or common shares at the holder's option and for purposes of calculating diluted net income (loss) per common share, the more dilutive of the cash-settled and equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income (loss) per common share as compared to the cash-settled method. The cash-settled method was more dilutive for the year ended December 31, 2020, and no adjustment was required for both the numerator and denominator. The equity-settled method was more dilutive for the year ended December 31, 2019, and an adjustment was required for both the numerator and denominator.

Stock options and, if calculated using the equity-settled method, TSARs are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR. For the year ended December 31, 2020 stock options were not dilutive, resulting in no adjustment to the denominator. For the year ended December 31, 2019, stock options were considered dilutive, resulting in an adjustment to the denominator.

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

For the years ended December 31	2020	2019
Numerator for basic net income (loss) per common share	$ (156,678)	$ 87,767
Adjustment for the effect of TSARs:		
Cash-settled recovery included in net income	—	(5,433)
Equity-settled expense	—	(4,807)
Numerator for diluted net income (loss) per common share	$ (156,678)	$ 77,527

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

For the years ended December 31	2020	2019
Denominator for basic net income (loss) per common share	76,196,395	76,592,413
Effect of dilutive stock options	—	17,325
Effect of dilutive TSARS	—	82,756
Denominator for diluted net income (loss) per common share	76,196,395	76,692,494

For the years ended December 31, 2020 and 2019, basic and diluted net income (loss) per common share attributable to Methanex shareholders were as follows:

For the years ended December 31		**2020**		2019
Basic net income (loss) per common share	**$**	**(2.06)**	$	1.15
Diluted net income (loss) per common share	**$**	**(2.06)**	$	1.01

14. Share-based compensation:

The Company provides share-based compensation to its directors and certain employees through grants of stock options, TSARs, SARs and deferred, restricted or performance share units.

As at December 31, 2020, the Company had 3,654,046 common shares reserved for future grants of stock options and tandem share appreciation rights under the Company's stock option plan.

a) Share appreciation rights and tandem share appreciation rights:

All SARs and TSARs granted have a maximum term of seven years with one-third vesting each year from the date of grant. SARs and TSARs units outstanding at December 31, 2020 and 2019 are as follows:

	SARs			TSARs		
	Number of units		Exercise price USD	Number of units		Exercise price USD
Outstanding at December 31, 2018	896,883	$	51.27	1,447,301	$	51.24
Granted	29,320		57.60	294,680		56.70
Exercised	(39,662)		37.25	(45,769)		37.08
Cancelled	(29,134)		54.72	(34,885)		53.38
Outstanding at December 31, 2019	857,407	$	52.02	1,661,327	$	52.55
Granted	**96,160**		**29.27**	**761,050**		**29.27**
Exercised	**(20,635)**		**34.59**	**(1,900)**		**34.59**
Cancelled	**(31,660)**		**58.13**	**(5,967)**		**58.38**
Expired	**(60,500)**		**38.24**	**(74,020)**		**38.24**
Outstanding at December 31, 2020	**840,772**	**$**	**50.61**	**2,340,490**	**$**	**45.43**

Information regarding the SARs and TSARs outstanding as at December 31, 2020 is as follows:

	Units outstanding at December 31, 2020				Units exercisable at December 31, 2020		
Range of exercise prices	Weighted average remaining contractual life (years)	Number of units outstanding		Weighted average exercise price	Number of units exercisable		Weighted average exercise price
SARs							
$29.27 to $35.51	**3.62**	**260,071**	**$**	**32.62**	**163,911**	**$**	**34.59**
$45.40 to $50.17	**3.11**	**125,784**		**50.15**	**125,784**		**50.15**
$54.65 to $78.59	**1.86**	**454,917**		**61.01**	**397,516**		**61.77**
	2.59	**840,772**	**$**	**50.61**	**687,211**	**$**	**53.16**
TSARs							
$29.27 to $35.51	**5.02**	**1,067,987**	**$**	**30.80**	**306,937**	**$**	**34.59**
$45.40 to $50.17	**3.33**	**311,184**		**49.84**	**296,637**		**50.05**
$54.65 to $78.59	**3.06**	**961,319**		**60.27**	**674,907**		**61.74**
	3.99	**2,340,490**	**$**	**45.43**	**1,278,481**	**$**	**52.51**

The fair value of each outstanding SARs and TSARs grant was estimated on December 31, 2020 and 2019 using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Risk-free interest rate	**0.1%**	1.6%
Expected dividend yield	**0.3%**	3.7%
Expected life of SARs and TSARs (years)	**1.6**	1.2
Expected volatility	**60%**	38%
Expected forfeitures	**0.0%**	0.1%
Weighted average fair value (USD per share)	**$ 13.36**	$ 3.03

Compensation expense for SARs and TSARs is measured based on their fair value and is recognized over the vesting period. Changes in fair value in each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value as at December 31, 2020 was $44.6 million compared with the recorded liability of $40.4 million. The difference between the fair value and the recorded liability of $4.2 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years.

For the year ended December 31, 2020, compensation expense related to SARs and TSARs included an expense in cost of sales and operating expenses of $33.1 million (2019 – recovery of $8.7 million). This included an expense of $27.2 million (2019 – recovery of $13.7 million) related to the effect of the change in the Company's share price.

b) Deferred, restricted and performance share units (old plan and new plan):

Deferred, restricted and performance share units (old plan and new plan) outstanding as at December 31, 2020 and 2019 are as follows:

	Number of deferred share units	Number of restricted share units	Number of performance share units (old plan)	Number of performance share units (new plan)
Outstanding at December 31, 2018	209,092	17,361	579,778	–
Granted	14,158	79,240	–	134,930
Performance factor impact on redemption[1]	–	–	132,215	–
Granted in lieu of dividends	4,031	2,840	9,909	4,464
Redeemed	(137,515)	(15,428)	(396,635)	–
Cancelled	–	(845)	(21,822)	(1,356)
Outstanding at December 31, 2019	89,766	83,168	303,445	138,038
Granted	**29,393**	**154,460**	**–**	**301,090**
Performance factor impact on redemption[1]	**–**	**–**	**(117,674)**	**–**
Granted in lieu of dividends	**3,788**	**7,326**	**4,529**	**13,597**
Redeemed	**–**	**(7,713)**	**(39,612)**	**(1,842)**
Cancelled	**–**	**(8,369)**	**(3,887)**	**(7,713)**
Outstanding at December 31, 2020	**122,947**	**228,872**	**146,801**	**443,170**

[1] Performance share units granted prior to 2019 have a feature where the ultimate number of units that vest are adjusted by a performance factor of the original grant as determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. These units relate to performance share units redeemed in the quarter ended March 31, 2019, and the quarter ended March 31, 2020.

Performance share units granted since 2019 reflect a new long-term incentive plan. The performance share units granted under the new plan are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. They vest over three years and include two performance factors: (i) relative total shareholder return of Methanex shares versus a specific market index (the market performance factor) and (ii) three year average Return on Capital Employed (the non-market performance factor). The market performance factor is measured by the Company at the grant date and reporting date using a Monte-Carlo simulation model to determine fair value. The non-market performance factor reflects management's best estimate to determine the expected number of units to vest. Based on these performance factors the performance share unit payout will range between 0% to 200%, with the first payout of the new performance share units in 2022.

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units as at December 31, 2020 was $46.9 million compared with the recorded liability of $31.5 million. The difference between the fair value and the recorded liability of $15.4 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years.

For the year ended December 31, 2020, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was an expense of $22.0 million (2019 – expense of $4.5 million). This included an expense of $11.4 million (2019 – recovery of $4.9 million) related to the effect of the change in the Company's share price.

c) Stock options:

The exercise price of each stock option is equal to the quoted market price of the Company's common shares at the date of the grant. Options granted have a maximum term of seven years with one-third of the options vesting each year after the date of grant.

Common shares reserved for outstanding incentive stock options as at December 31, 2020 and 2019 are as follows:

	Number of stock options	Weighted average exercise price
Outstanding at December 31, 2018	198,221	$48.55
Granted	7,410	57.60
Exercised	(2,700)	31.73
Cancelled	(2,300)	52.31
Outstanding at December 31, 2019	200,631	$49.07
Granted	**15,440**	**$29.27**
Exercised	**(5,900)**	**34.59**
Cancelled	**(5,600)**	**58.96**
Expired	**(31,320)**	**38.24**
Outstanding at December 31, 2020	**173,251**	**$49.44**

Information regarding the stock options outstanding as at December 31, 2020 is as follows:

	Options outstanding at December 31, 2020			Options exercisable at December 31, 2020	
Range of exercise prices	Weighted average remaining contractual life (years)	Number of stock options outstanding	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price
Options					
$29.27 to $35.51	**3.14**	**63,307**	**$ 33.29**	**47,867**	**$ 34.59**
$45.40 to $50.17	**3.17**	**24,034**	**50.17**	**24,034**	**50.17**
$54.65 to $78.59	**1.89**	**85,910**	**61.13**	**74,402**	**61.94**
	2.53	**173,251**	**$ 49.44**	**146,303**	**$ 51.06**

For the year ended December 31, 2020, compensation expense related to stock options was $0.1 million (2019 - $0.2 million).

15. Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

During the years ended December 31, 2020 and 2019, revenues attributed to geographic regions, based on the location of customers, were as follows:

Revenue	China	Europe	United States	South Korea	South America	Canada	Other Asia	TOTAL
2020	**$ 828,277**	**$ 488,955**	**$ 419,461**	**$ 284,461**	**$ 269,853**	**$ 117,480**	**$ 241,476**	**$ 2,649,963**
	31%	**18%**	**16%**	**12%**	**10%**	**4%**	**9%**	**100%**
2019	$ 998,302	$ 634,647	$ 581,631	$ 320,394	$ 307,706	$ 145,386	$ 295,448	$ 3,283,514
	30%	19%	18%	11%	9%	4%	9%	100%

As at December 31, 2020 and 2019, the net book value of property, plant and equipment by country was as follows:

Property, plant and equipment [1]	United States	Egypt	New Zealand	Trinidad	Canada	Chile	Waterfront Shipping	Other	TOTAL
December 31, 2020	**$ 1,727,982**	**$ 617,017**	**$ 241,581**	**$ 120,130**	**$ 191,010**	**$ 124,271**	**$ 610,843**	**$ 44,222**	**$ 3,677,056**
December 31, 2019	$ 1,548,165	$ 657,961	$ 282,493	$ 146,273	$ 127,075	$ 145,892	$ 602,344	$ 65,992	$ 3,576,195

[1] Includes right-of-use (leased) assets.

16. Income and other taxes:

a) Income tax recovery (expense):

For the years ended December 31	2020	2019
Current tax recovery (expense):		
Current period before undernoted items	**$ (27,759)**	$ (38,953)
Adjustments to prior years	**2,563**	144
	(25,196)	(38,809)
Deferred tax recovery (expense):		
Origination and reversal of temporary differences	**89,301**	31,389
Adjustments to prior years	**(1,067)**	(138)
Changes in tax rates	**(5,031)**	2,141
Other	**4,098**	943
	87,301	34,335
Total income tax recovery (expense)	**$ 62,105**	$ (4,474)

b) Reconciliation of the effective tax rate:

The Company operates in several tax jurisdictions and therefore its income is subject to various rates of taxation. Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net income before income taxes as follows:

For the years ended December 31	2020	2019
Income (loss) before income taxes	$ (187,432)	$ 120,840
Deduct earnings of associate	(29,577)	(52,218)
	(217,009)	68,622
Canadian statutory tax rate	25.6%	26.8%
Income tax recovery (expense) calculated at Canadian statutory tax rate	55,554	(18,411)
Decrease (increase) in income tax expense resulting from:		
Impact of income and losses taxed in foreign jurisdictions	3,771	7,001
Utilization of unrecognised loss carryforwards and temporary differences	7,013	6,945
Impact of tax rate changes	(5,031)	2,141
Impact of foreign exchange	3,748	(484)
Other business taxes	(3,081)	(2,798)
Impact of recovery items (expenses) not taxable (deductible) for tax purposes	(5,461)	1,826
Adjustments to prior years	1,496	6
Other	4,096	(700)
Total income tax recovery (expense)	$ 62,105	$ (4,474)

Effective from July 1, 2020 changes in Alberta provincial corporate income tax rates resulted in a lower statutory tax rate applicable to Methanex in Canada in 2020 when compared to 2019.

c) Net deferred income tax assets and liabilities:

(i) The tax effect of temporary differences that give rise to deferred income tax liabilities and deferred income tax assets is as follows:

As at	Dec 31, 2020			Dec 31, 2019		
	Net	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment (owned)	$ (448,533)	$ (262,020)	$ (186,513)	$ (447,077)	$ (250,890)	$ (196,187)
Right-of-use assets	(43,386)	(35,297)	(8,089)	(45,501)	(26,725)	(18,776)
Repatriation taxes	(102,370)	–	(102,370)	(93,363)	–	(93,363)
Other	(15,205)	–	(15,205)	(10,424)	(48)	(10,376)
	(609,494)	(297,317)	(312,177)	(596,365)	(277,663)	(318,702)
Non-capital loss carryforwards	391,132	339,396	51,736	286,004	286,004	–
Lease obligations	56,894	44,455	12,439	56,802	33,979	22,823
Share-based compensation	14,669	1,758	12,911	3,075	–	3,075
Other	70,931	49,232	21,699	89,278	69,294	19,984
	533,626	434,841	98,785	435,159	389,277	45,882
Net deferred income tax assets (liabilities)	$ (75,868)	$ 137,524	$ (213,392)	$ (161,206)	$ 111,614	$ (272,820)

As at December 31, 2020, deferred income tax assets have been recognized in respect of non-capital loss carryforwards generated in the United States. These loss carryforwards expire as follows:

	Dec 31 2020	
	Gross amount	**Tax effect**
Expire		
Losses generated in 2014 (expires 2034)	**$ 33,252**	**$ 7,648**
Losses generated in 2015 (expires 2035)	**351,625**	**80,874**
Losses generated in 2016 (expires 2036)	**432,581**	**99,494**
Losses generated in 2017 (expires 2037)	**234,941**	**54,036**
	1,052,399	**242,052**
No expiry		
Losses generated in 2019	**232,163**	**53,397**
Losses generated in 2020	**140,021**	**32,205**
Total non-capital loss carryforwards	**$ 1,424,583**	**$ 327,654**

Losses generated in the United States on or after January 1, 2018 may be carried forward indefinitely against future taxable income. Tax losses generated before December 31, 2017 may be carried forward for a 20 year period.

As at December 31, 2020 the Company had $292 million (2019 - $ 323 million) of deductible temporary differences in the United States that have not been recognized.

(ii) Analysis of the change in deferred income tax assets and liabilities:

	2020			2019		
	Net	**Deferred tax assets**	**Deferred tax liabilities**	Net	Deferred tax assets	Deferred tax liabilities
Balance, January 1	**$ (161,206)**	**$ 111,614**	**$ (272,820)**	$ (221,682)	$ 59,532	$ (281,214)
Adjustment on adoption of IFRS 16	**–**	**–**	**–**	4,529	533	3,996
Balance, January 1 (restated)	**(161,206)**	**111,614**	**(272,820)**	(217,153)	60,065	(277,218)
Deferred income tax recovery included in net income	**87,301**	**28,243**	**59,058**	34,335	28,875	5,460
Deferred income tax recovery (expense) included in other comprehensive income	**(2,325)**	**(2,333)**	**8**	22,049	21,871	178
Other	**362**	**–**	**362**	(437)	803	(1,240)
Balance, December 31	**$ (75,868)**	**$ 137,524**	**$ (213,392)**	$ (161,206)	$ 111,614	$ (272,820)

17. Supplemental cash flow information:

a) Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2020 and 2019 are as follows:

For the years ended December 31	**2020**	2019
Changes in non-cash working capital:		
Trade and other receivables	**$ 76,721**	$ 25,847
Inventories	**(27,644)**	106,907
Prepaid expenses	**4,059**	(5,264)
Trade, other payables and accrued liabilities, including long-term payables included in other long-term liabilities	**107,199**	(123,660)
	160,335	3,830
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	**(43,259)**	17,107
Changes in non-cash working capital	**$ 117,076**	$ 20,937
These changes relate to the following activities:		
Operating	**$ 64,923**	$ 9,426
Investing	**52,153**	11,511
Changes in non-cash working capital	**$ 117,076**	$ 20,937

b) Reconciliation of movements in liabilities to cash flows arising from financing activities:

	Long term debt (note 8)	Lease obligations (note 9)
Balance at December 31, 2019	$ 1,768,853	$ 718,505
Changes from financing cash flows		
Repayment of long-term debt and financing fees	(289,698)	–
Net proceeds on issue of long-term debt	865,415	–
Draw on revolving credit facility	300,000	–
Repayment of revolving credit facility	(300,000)	–
Payment of lease obligations	–	(106,834)
Proceeds from other limited recourse debt	12,839	
Total changes from financing cash flows	588,556	(106,834)
Liability-related other changes		
Finance costs	2,562	–
New lease obligations	–	108,763
Other	3,401	1,800
Total liability-related other changes	5,963	110,563
Balance at December 31, 2020	$ 2,363,372	$ 722,234

18. Capital disclosures:

The Company's objective in managing liquidity and capital is to safeguard the Company's ability to continue as a going concern and to provide financial capacity and flexibility to meet its strategic objectives, with a focus on cash preservation and liquidity.

As at	**Dec 31 2020**	Dec 31 2019
Liquidity:		
Cash and cash equivalents	**$ 833,841**	$ 416,763
Undrawn credit facilities	**300,000**	300,000
Undrawn G3 construction facilities	**627,000**	800,000
Total liquidity	**$ 1,760,841**	$ 1,516,763
Capitalization:		
G3 construction facility	**176,335**	–
Unsecured notes, including current portion	**1,979,125**	1,535,662
Egypt limited recourse debt facilities, including current portion	**46,948**	75,165
Other limited recourse debt facilities, including current portion	**160,964**	158,026
Total debt	**2,363,372**	1,768,853
Non-controlling interests	**292,357**	298,675
Shareholders' equity	**1,149,100**	1,331,685
Total capitalization	**$ 3,804,829**	$ 3,399,213
Total debt to capitalization[1]	**62%**	52%
Net debt to capitalization[2]	**51%**	45%

[1] Total debt (including 100% of Egypt and Other limited recourse debt facilities) divided by total capitalization.

[2] Total debt (including 100% of Egypt and Other limited recourse debt facilities) less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

The Company manages its liquidity and capital structure and makes adjustments to it in light of changes to economic conditions, the underlying risks inherent in its operations and capital requirements to maintain and grow its operations. The strategies employed by the Company may include the issue or repayment of general corporate debt, the issue of project debt, private placements by limited recourse subsidiaries, the issue of equity, the payment of dividends and the repurchase of shares.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options.

During the year ended December 31, 2020, the Company drew down $173 million (excluding finance fees) of the $800 million non-revolving construction facility for the Geismar 3 project. As at December 31, 2020, the Company has access to the $300 million committed revolving credit facility, and both credit facilities are with a syndicate of highly rated financial institutions, expiring in July 2024. The credit facilities are subject to certain financial covenants (note 8).

19. Financial instruments:

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

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

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the changes in fair value are recorded in other comprehensive income and are reclassified to profit or loss when the underlying hedged transaction is recognized in earnings. The Company designates as cash flow hedges certain derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and to hedge its risk exposure to fluctuations on certain foreign currency denominated transactions.

The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

As at	**Dec 31 2020**	Dec 31 2019
Financial assets:		
Financial assets measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ 3,371**	$ 10
Financial assets not measured at fair value:		
Cash and cash equivalents	**833,841**	416,763
Trade and other receivables, excluding tax receivable	**406,392**	473,980
Restricted cash included in other assets	**41,979**	39,413
Total financial assets[2]	**$ 1,285,583**	$ 930,166
Financial liabilities:		
Financial liabilities measured at fair value:		
Derivative instruments designated as cash flow hedges[1]	**$ 181,372**	$ 195,504
Financial liabilities not measured at fair value:		
Trade, other payables and accrued liabilities, excluding tax payable	**500,056**	406,260
Long-term debt, including current portion	**2,363,372**	1,768,853
Total financial liabilities	**$ 3,044,800**	$ 2,370,617

1 The Geismar and Medicine Hat natural gas hedges and euro foreign currency hedges designated as cash flow hedges are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.

2 The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

As at December 31, 2020, all of the financial instruments were recorded on the consolidated statements of financial position at amortized cost with the exception of derivative financial instruments, which were recorded at fair value unless exempted.

The fair value of derivative instruments is determined based on industry-accepted valuation models using market observable inputs and are classified within Level 2 of the fair value hierarchy. The fair value of all of the Company's derivative contracts as presented in the consolidated statements of financial position are determined based on present values and the discount rates used are adjusted for credit risk. The effective portion of the changes in fair value of derivative financial instruments designated as cash flow hedges is recorded in other comprehensive income. The spot element of forward contracts in the hedging relationships is recorded in other comprehensive income as the change in fair value of cash flow hedges. The change in the fair value of the forward element of forward contracts is recorded separately in other comprehensive income as the forward element excluded from the hedging relationships. Once a commodity hedge settles, the amount realized during the period and not recognized immediately in the statement of income is reclassified from accumulated other comprehensive income (equity) to inventory and ultimately through cost of goods sold. Settled foreign currency hedges, are realized during the period directly to the statement of income reclassified from the statement of other comprehensive income.

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

Natural gas forward contracts

The Company has elected to manage its exposure to changes in natural gas prices for a portion of its North American natural gas requirements by executing a number of fixed price forward contracts: both financial and physical. The Company has entered into forward contracts to manage its exposure to changes in natural gas prices for the Geismar site including (i) 40,000 mmbtu per day over the remaining term of 2021-2025, (ii) 50,000 mmbtu per day for 2023 to 2032, and (iii) 30,000 mmbtu per day from 2027-2029, which have been designated as cash flow hedges. Natural gas is fungible across the Geismar site. The Company has also entered into physical forward contracts to manage its exposure to changes in natural gas prices for the Medicine Hat facility. The Company has designated contracts for the 2021 and 2022 periods as cash flow hedges. Other costs incurred to transport natural gas from the contracted delivery point, either Henry Hub or AECO, to the relevant production facility represent an insignificant portion of the overall underlying risk and are recognized as incurred outside of the hedging relationship. No hedge ineffectiveness has been recognized in 2020.

For the year ended December 31, 2020, the Company reclassified $20.3 million of natural gas hedge settlements from accumulated other comprehensive income.

As at December 31, 2020, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of $1,005.6 million (2019 – $969.6 million) and a net negative fair value of $177.4 million (2019 – negative fair value of $195.1 million), of which $14.8 million is included in other current liabilities, $166.0 million is included in other long term liabilities, $0.4 million is included in other current assets, and $3.0 million is included in other non-current assets. As at December 31, 2020, the forward contracts for the Geismar facility had a weighted average contract price of $3.36 per mmbtu (2019 – $3.45 per mmbtu). The forward contracts for the Medicine Hat facility had an average contract price of $1.96 per mmbtu (2019 – $1.96 per mmbtu).

Forward exchange contracts

The Company also designates as cash flow hedges forward exchange contracts to sell certain foreign currencies at a fixed U.S. dollar exchange rate to hedge its exposure to exchange rate fluctuations on certain foreign currency denominated transactions. The Company has elected to designate the spot element of the forward contracts as cash flow hedges. The forward element of the forward contracts are excluded from the designation and only the spot element is considered for the purpose of assessing effectiveness and measuring ineffectiveness. The excluded forward element of the swap contracts will be accounted for as a cost of hedging (transaction cost) to be recognized in profit or loss over the term of the hedging relationships. Ineffectiveness may arise in the hedging relationship due to changes in the timing of the anticipated transactions and/or due to changes in credit risk of the hedging instrument not replicated in the hedged item. No hedge ineffectiveness has been recognized in 2020.

As at December 31, 2020, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell euros at a fixed U.S. dollar exchange rate with a notional amount of 12.2 million euros (2019 – 18.4 million euros) and a negative fair value of $0.6 million included in current liabilities (2019 – negative fair value of $0.4 million included in current liabilities).

Fair value liabilities

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

As at	**Dec 31 2020**	Dec 31 2019
Within one year	**$ 15,047**	$ 17,620
1-3 years	**44,841**	45,432
3-5 years	**63,002**	56,887
More than 5 years	**91,732**	124,365
	$ 214,622	$ 244,304

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

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties to derivative financial instruments with positive fair values failed completely to perform under the contracts was $3.4 million as at December 31, 2020 (2019 – nil).

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

As at	**December 31, 2020**		December 31, 2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt excluding deferred financing fees	**$ 2,382,699**	**$ 2,559,771**	$ 1,786,025	$ 1,831,292

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

20. Financial risk management:

a) Market risks:

The Company's operations consist of the production and sale of methanol. Market fluctuations may result in significant cash flow and profit volatility risk for the Company. Its worldwide operating business as well as its investment and financing activities are affected by changes in methanol and natural gas prices and interest and foreign exchange rates. The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative instruments to hedge these risks when deemed appropriate. This is not an exhaustive list of all risks, nor will the risk management strategies eliminate these risks.

Methanol price risk

The methanol industry is a highly competitive commodity industry and methanol prices fluctuate based on supply and demand fundamentals and other factors. The profitability of the Company is directly related to the market price of methanol. A decline in the market price of methanol could negatively impact the Company's future operations. The Company does not hedge its methanol sales through derivative contracts. The Company manages its methanol price risk, to a certain degree, through natural gas supply contracts that include a variable price component linked to methanol prices, as described below.

Natural gas price risk

Natural gas is the primary feedstock for the production of methanol. The Company has entered into multi-year natural gas supply contracts for its production facilities in New Zealand, Trinidad, Egypt and certain contracts in Chile that include base and variable price components to reduce the commodity price risk exposure. The variable price component is adjusted by formulas related to methanol prices above a certain level. The Company also has multi-year fixed price natural gas contracts to supply its production facilities in Geismar, Medicine Hat and Chile and natural gas hedges in Geismar and Medicine Hat to manage its exposure to natural gas price risk.

Interest rate risk

Interest rate risk is the risk that the Company suffers financial loss due to changes in the value of an asset or liability or in the value of future cash flows due to movements in interest rates.

The Company's interest rate risk exposure is mainly related to long-term debt obligations.

As at		Dec 31 2020		Dec 31 2019
Fixed interest rate debt:				
Unsecured notes	$	**1,979,125**	$	1,535,662
Other limited recourse debt facilities		**160,964**		156,500
	$	**2,140,089**	$	1,692,162
Variable interest rate debt:				
Geismar 3 construction facility	$	**176,335**	$	–
Egypt limited recourse debt facilities		**46,948**		75,165
Other limited recourse debt facilities		–		1,526
	$	**223,283**	$	76,691

For fixed interest rate debt, a 1% change in interest rates would result in a change in the fair value of the debt (disclosed in note 19) of approximately $185.2 million as of December 31, 2020 (2019 – $130.6 million).

The fair value of variable interest rate debt fluctuates primarily with changes in credit spreads.

For the variable interest rate debt, a 1% change in LIBOR would result in a change in annual interest payments of $2.2 million as of December 31, 2020 (2019 – $0.8 million).

Foreign currency risk

The Company's international operations expose the Company to foreign currency exchange risks in the ordinary course of business. Accordingly, the Company has established a policy that provides a framework for foreign currency management and hedging strategies and defines the approved hedging instruments. The Company reviews all significant exposures to foreign currencies arising from operating and investing activities and hedges exposures if deemed appropriate.

The dominant currency in which the Company conducts business is the United States dollar, which is also the reporting currency.

Methanol is a global commodity chemical that is priced in United States dollars. In certain jurisdictions, however, the transaction price is set either quarterly or monthly in the local currency. Accordingly, a portion of the Company's revenue is transacted in Canadian dollars, euros, Chinese yuan and, to a lesser extent, other currencies. For the period from when the price is set in local currency to when the amount due is collected, the Company is exposed to declines in the value of these currencies compared to the United States dollar. The Company also purchases varying quantities of methanol for which the transaction currency is the euro, Chinese yuan and, to a lesser extent, other currencies. In addition, some of the Company's underlying operating costs and capital expenditures are incurred in other currencies. The Company is exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales and operating expenses and capital expenditures. The Company has elected not to actively manage these exposures at this time except for a portion of the net exposure to euro revenues, which is hedged through forward exchange contracts each quarter when the euro price for methanol is established.

As at December 31, 2020, the Company had a net working capital asset of $123.9 million in non U.S. dollar currencies (2019—$74.2 million). Each 10% strengthening (weakening) of the U.S. dollar against these currencies would decrease (increase) the value of net working capital and pre-tax cash flows and earnings by approximately $12.4 million (2019—$7.4 million).

b) Liquidity risks:

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities, such as the settlement of financial debt and lease obligations and payment to its suppliers. The Company maintains liquidity and makes adjustments to it in light of changes to economic conditions, underlying risks inherent in its operations and capital requirements to maintain and grow its operations. As at December 31, 2020, the Company had $834 million of cash and cash equivalents. In addition, the Company has an undrawn credit facility of $300 million provided by a syndicate of highly rated financial institutions that expires in July 2024. The Company has drawn $173 million of its $800 million construction credit facility for the Geismar 3 project that expires in July 2024.

In addition to the above-mentioned sources of liquidity, the Company monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting refinancing risks.

The expected cash flows of financial liabilities from the date of the balance sheet to the contractual maturity date are as follows:

As at December 31, 2020	Carrying amount	Contractual cash flows	1 year or less	1-3 years	3-5 years	More than 5 years
Trade and other payables[1]	$ 485,545	$ 485,545	$ 485,545	$ –	$ –	$ –
Lease obligations[2]	722,234	982,387	142,096	228,493	192,342	419,456
Long-term debt[2]	2,363,372	3,509,538	158,063	274,599	708,577	2,368,299
Cash flow hedges[3]	181,372	214,622	15,047	44,841	63,002	91,732
	$ 3,752,523	$ 5,192,092	$ 800,751	$ 547,933	$ 963,921	$ 2,879,487

[1] Excludes tax and accrued interest.

[2] Contractual cash flows include contractual interest payments related to debt obligations and lease obligations. Interest rates on variable rate debt are based on prevailing rates as at December 31, 2020.

[3] Cash flow hedges includes the impact of discounting and credit valuation adjustments

c) Credit risks:

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties that are recorded in the financial statements.

Trade credit risk

Trade credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time or if the value of the security provided declines. The Company has implemented a credit policy that includes approvals for new customers, annual credit evaluations of all customers and specific approval for any exposures beyond approved limits. The Company employs a variety of risk-mitigation alternatives, including credit insurance, certain contractual rights in the event of deterioration in customer credit quality and various forms of bank and parent company guarantees and letters of credit to upgrade the credit risk to a credit rating equivalent or better than the stand-alone rating of the counterparty. Trade credit losses have historically been minimal and as at December 31, 2020 substantially all of the trade receivables were classified as current.

Cash and cash equivalents

To manage credit and liquidity risk, the Company's investment policy specifies eligible types of investments, maximum counterparty exposure and minimum credit ratings. Therefore, the Company invests only in highly rated investment-grade instruments that have maturities of three months or less.

Derivative financial instruments

The Company's hedging policies specify risk management objectives and strategies for undertaking hedge transactions. The policies also include eligible types of derivatives and required transaction approvals, as well as maximum counterparty exposures and minimum credit ratings. The Company does not use derivative financial instruments for trading or speculative purposes.

To manage credit risk, the Company only enters into derivative financial instruments with highly rated investment-grade counterparties. Hedge transactions are reviewed, approved and appropriately documented in accordance with Company policies.

21. Retirement plans:

a) Defined benefit pension plans:

The Company has non-contributory defined benefit pension plans covering certain employees. The Company does not provide any significant post-retirement benefits other than pension plan benefits. Information concerning the Company's defined benefit pension plans, in aggregate, is as follows:

As at	Dec 31 2020	Dec 31 2019
Accrued benefit obligations:		
Balance, beginning of year	**$ 66,061**	$ 60,618
Current service cost	**3,016**	2,639
Interest cost on accrued benefit obligations	**1,794**	2,196
Benefit payments	**(2,227)**	(7,092)
Actuarial loss	**7,120**	8,041
Foreign exchange (gain) loss	**3,046**	(341)
Balance, end of year	**78,810**	66,061
Fair values of plan assets:		
Balance, beginning of year	**43,891**	40,955
Interest income on assets	**1,260**	1,396
Contributions	**1,182**	4,056
Benefit payments	**(2,227)**	(7,092)
Return on plan assets	**1,940**	2,500
Foreign exchange gain	**912**	2,076
Balance, end of year	**46,958**	43,891
Unfunded status	**31,852**	22,170
Minimum funding requirement	**–**	–
Defined benefit obligation, net	**$ 31,852**	$ 22,170

The net defined benefit obligation above is comprised of unfunded retirement obligations and funded retirement net assets from defined benefit pension plans, as follows:

The Company has an unfunded retirement obligation of $35.3 million as at December 31, 2020 (2019 – $28.1 million) for its employees in Chile that will be funded at retirement in accordance with Chilean law. The accrued benefit for the unfunded retirement arrangement in Chile is paid when an employee leaves the Company in accordance with plan terms and Chilean regulations. The Company estimates that it may make benefit payments based on actuarial assumptions related to the unfunded retirement obligation in Chile of $9.5 million in 2021. Actual benefit payments in future periods will fluctuate based on employee retirements.

The Company has a net funded retirement asset of $4.8 million as at December 31, 2020 (2019 – $5.7 million) for certain employees and retirees in Canada and a net funded retirement obligation of $1.4 million as at December 31, 2020 (2019 – asset of $0.2 million) in Europe. The Company estimates that it will make no additional contributions relating to its defined benefit pension plan in Canada that it will make additional contributions relating to its defined benefit pension plan in Europe of $0.5 million in 2021.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk on the funded plans. Additionally, as the plans provide benefits to plan members predominantly in Canada and Chile, the plans expose the Company to foreign currency risk for funding requirements. The primary long-term risk is that the Company will not have sufficient plan assets and liquidity to meet obligations when they fall due. The weighted average duration of the net defined benefit obligation is 8 years.

The Company's net defined benefit pension plan expense charged to the consolidated statements of income (loss) for the years ended December 31, 2020 and 2019 is as follows:

For the years ended December 31	2020	2019
Net defined benefit pension plan expense:		
Current service cost	$ 3,016	$ 2,639
Net interest cost	534	800
Total net defined benefit pension plan expense	$ 3,550	$ 3,439

The Company's current year actuarial losses, recognized in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2020 and 2019, are as follows:

For the years ended December 31	2020	2019
Actuarial loss	$ (5,413)	$ (4,479)

The Company had no minimum funding requirement for the years ended December 31, 2020 and 2019.

The Company uses a December 31 measurement date for its defined benefit pension plans. Actuarial reports for the Company's defined benefit pension plans were prepared by independent actuaries for funding purposes as of December 31, 2019 in Canada. The next actuarial reports for funding purposes for the Company's Canadian defined benefit pension plans are scheduled to be completed as of December 31, 2022.

The discount rate is the most significant actuarial assumption used in accounting for the defined benefit pension plans. As at December 31, 2020, the weighted average discount rate for the defined benefit obligation was 2.3% (2019—3.0%). A decrease of 1% in the weighted average discount rate at the end of the reporting period, while holding all other assumptions constant, would result in an increase to the defined benefit obligation of approximately $6.9 million.

The asset allocation for the defined benefit pension plan assets as at December 31, 2020 and 2019 is as follows:

As at	Dec 31 2020	Dec 31 2019
Equity securities	18%	18%
Debt securities	57%	57%
Cash and other short-term securities	25%	25%
Total	100%	100%

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of cash and other short-term securities are not based on quoted market prices in active markets. The plan assets are held separately from those of the Company in funds under the control of trustees.

b) Defined contribution pension plans:

The Company has defined contribution pension plans. The Company's funding obligations under the defined contribution pension plans are limited to making regular payments to the plans, based on a percentage of employee earnings. Total net pension expense for the defined contribution pension plans charged to operations during the year ended December 31, 2020 was $10.3 million (2019 – $9.6 million).

22. Commitments and contingencies:

a) Take-or-pay purchase contracts and related commitments:

The Company has commitments under take-or-pay contracts to purchase natural gas, to pay for transportation capacity related to the delivery of natural gas and to purchase oxygen and other feedstock requirements for our operating plants and Geismar 3 project up to 2042. The minimum estimated commitment under these contracts, except as noted below, is as follows:

As at December 31, 2020

2021	2022	2023	2024	2025	Thereafter
$ 397,515	$ 397,346	$ 431,060	$ 447,165	$ 447,017	$ 1,560,734

In the above table, the Company has included natural gas commitments at the contractual volume and prices.

b) Other commitments:

The Company has future minimum payments relating primarily to short-term vessel charters, terminal facilities, and other commitments that are not leases, as follows:

As at December 31, 2020

2021	2022	2023	2024	2025	Thereafter
$ 64,768	$ 3,304	$ 539	$ 539	$ 539	$ 2,571

c) Purchased methanol:

The Company has marketing rights for 100% of the production from its jointly owned plants (the Atlas plant in Trinidad in which it has a 63.1% interest and the plant in Egypt in which it has a 50% interest), which results in purchase commitments of an additional 1.2 million tonnes per year of methanol offtake supply when these plants operate at capacity. As at December 31, 2020, the Company also had commitments to purchase methanol from other suppliers for approximately 1.2 million tonnes for 2021 and 1.1 million tonnes in aggregate thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the table above.

23. Related parties:

The Company has interests in significant subsidiaries and joint ventures as follows:

			Interest %	
Name	Country of incorporation	Principal activities	**Dec 31 2020**	Dec 31 2019
Significant subsidiaries:				
Methanex Asia Pacific Limited	Hong Kong	Marketing & distribution	**100%**	100%
Methanex Services (Shanghai) Co., Ltd.	China	Marketing & distribution	**100%**	100%
Methanex Europe NV	Belgium	Marketing & distribution	**100%**	100%
Methanex Methanol Company, LLC	United States	Marketing & distribution	**100%**	100%
Egyptian Methanex Methanol Company S.A.E. ("Methanex Egypt")	Egypt	Production	**50%**	50%
Methanex Chile SpA	Chile	Production	**100%**	100%
Methanex New Zealand Limited	New Zealand	Production	**100%**	100%
Methanex Trinidad (Titan) Unlimited	Trinidad	Production	**100%**	100%
Methanex USA LLC	United States	Production	**100%**	100%
Methanex Louisiana LLC	United States	Production	**100%**	100%
Waterfront Shipping Company Limited[1]	Cayman Islands	Shipping	**100%**	100%
Significant joint ventures:				
Atlas Methanol Company Unlimited[2]	Trinidad	Production	**63.1%**	63.1%

[1] Waterfront Shipping Company Limited has a controlling interest in multiple ocean going vessels owned through less than wholly-owned entities as disclosed in note 24.

[2] Summarized financial information for the group's investment in Atlas is disclosed in note 6.

Transactions between the Company and Atlas are considered related party transactions and are included within the summarized financial information in note 6. Atlas revenue for the year ended December 31, 2020 of $251 million (2019 – $359 million) is a related party transaction included in cost of sales of the Company as Methanex has marketing rights for 100% of the methanol produced by Atlas. Balances outstanding with Atlas as at December 31, 2020 and provided in the summarized financial information in note 6 include receivables owing from Atlas to the Company of $16 million (2019 – $17 million), and payables to Atlas of $70 million (2019 – $69 million). The Company has total loans outstanding to Atlas as at December 31, 2020 of $76 million (2019 – $76 million) which are unsecured and due at maturity.

Remuneration received by non-management directors and senior management, which includes the members of the executive leadership team, is as follows:

For the years ended December 31	**2020**	2019
Short-term employee benefits	**$ 6,272**	$ 9,097
Post-employment benefits	**944**	767
Other long-term employee benefits	**50**	50
Share-based compensation expense[1]	**26,481**	127
Total	**$ 33,747**	$ 10,041

[1] Balance includes realized and unrealized gains from share-based compensation awards granted.

24. Non-controlling interests:

Set out below is summarized financial information for each of our subsidiaries that have non-controlling interests. The amounts disclosed are before inter-company eliminations.

As at	**Dec 31, 2020**			Dec 31, 2019		
	Methanex Egypt	**Vessels[1]**	**Total**	Methanex Egypt	Vessels[1]	Total
Current assets	**$ 155,339**	**$ 10,628**	**$ 165,967**	$ 158,436	$ 25,471	$ 183,907
Non-current assets	**618,797**	**197,223**	**816,020**	653,495	182,248	835,743
Current liabilities	**(87,907)**	**(18,960)**	**(106,867)**	(74,498)	(22,326)	(96,824)
Non-current liabilities	**(127,144)**	**(174,309)**	**(301,453)**	(156,058)	(153,842)	(309,900)
Net assets	**559,085**	**14,582**	**573,667**	581,375	31,551	612,926
Carrying amount of Methanex non-controlling interests	**$ 272,449**	**$ 19,908**	**$ 292,357**	$ 278,780	$ 19,895	$ 298,675

For the years ended December 31	**2020**			2019		
	Methanex Egypt	**Vessels[1]**	**Total**	Methanex Egypt	Vessels[1]	Total
Revenue	**$ 192,575**	**$ 40,118**	**$ 232,693**	$ 171,532	$ 36,500	$ 208,032
Net and total comprehensive income	**18,566**	**9,474**	**28,040**	4,182	7,834	12,016
Net and total comprehensive income attributable to Methanex non-controlling interests	**26,578**	**4,773**	**31,351**	24,697	3,902	28,599
Equity contributions by non-controlling interests	**$ –**	**$ 5,500**	**$ 5,500**	$ –	$ –	$ –
Acquisition of non-controlling interests	**–**	**(6,714)**	**(6,714)**	–	(2,219)	(2,219)
Impact of adoption of IFRS 16	**–**	**–**	**–**	(3,355)	–	(3,355)
Distributions paid and accrued to non-controlling interests	**$ (32,909)**	**$ (3,546)**	**$ (36,455)**	$ (17,865)	$ (3,113)	$ (20,978)

[1] Comprised of multiple ocean going vessels controlled by Waterfront Shipping Company Limited through less than wholly-owned entities.

For the years ended December 31	2020						2019					
		Methanex Egypt		**Vessels[1]**		**Total**		Methanex Egypt		Vessels[1]		Total
Cash flows from (used in) operating activities	**$**	**145,672**	**$**	**24,951**	**$**	**170,623**	$	68,022	$	24,267	$	92,289
Cash flows from (used in) financing activities	**$**	**(96,052)**	**$**	**(17,344)**	**$**	**(113,396)**	$	(74,675)	$	(21,606)	$	(96,281)
Cash flows from (used in) investing activities	**$**	**(5,309)**	**$**	**(7,788)**	**$**	**(13,097)**	$	(8,859)	$	(3,723)	$	(12,582)

[1] Comprised of multiple ocean going vessels controlled by Waterfront Shipping Company Limited through less than wholly-owned entities.

Executive Leadership Team

John Floren
President and Chief Executive Officer

Brad Boyd
Senior Vice President, Corporate Resources

Ian Cameron
Senior Vice President, Finance and Chief Financial Officer

Kevin Henderson
Senior Vice President, Manufacturing

Mike Herz
Senior Vice President, Corporate Development

Vanessa James
Senior Vice President, Global Marketing and Logistics

Board of Directors

Douglas Arnell
Chair of the Board
Board member since October 2016

John Floren
President and CEO of Methanex Corporation
Board member since January 2013

James Bertram
Member of the Audit, Finance & Risk and Human Resources Committees
Board member since October 2018

Phillip Cook
Chair of the Corporate Governance Committee
Member of the Human Resources Committee
Board member since May 2006

Paul Dobson
Member of the Audit, Finance & Risk and Responsible Care Committees
Board member since April 2019

Maureen Howe
Member of the Audit, Finance & Risk and Corporate Governance Committees
Board member since June 2018

Robert Kostelnik
Chair of the Responsible Care Committee
Member of the Human Resources Committee
Board member since September 2008

Leslie O'Donoghue
Member of the Corporate Governance and Responsible Care Committees
Board member since April 2020

Janice Rennie
Chair of the Human Resources Committee
Member of the Audit, Finance & Risk Committee
Board member since May 2006

Kevin Rodgers
Member of the Corporate Governance and Human Resources Committees
Board member since July 2019

Margaret Walker
Member of the Human Resources and Responsible Care Committees
Board member since April 2015

Benita Warmbold
Chair of the Audit, Finance & Risk Committee
Member of the Corporate Governance Committee
Board member since February 2016

Corporate Information

Head Office
Methanex Corporation
1800 Waterfront Centre
200 Burrard Street
Vancouver, BC V6C 3M1
Tel 604 661 2600
Fax 604 661 2676

Toll Free
1 800 661 8851
Within North America

Web Site
www.methanex.com

Sales Inquiries:
sales@methanex.com

Transfer Agent
AST Trust Company (Canada) acts as transfer agent and registrar for Methanex stock and maintains all primary shareholder records. All inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should be directed to AST Trust Company (Canada) at:
1 800 387 0825
Toll Free within North America

Annual General Meeting
The Annual General Meeting will be held at the head office in Vancouver, British Columbia on Thursday, April 29, 2021 at 10:00 a.m. (Pacific Time) and will be available via live online audio webcast. Due to the COVID-19 pandemic we strongly encourage shareholders to attend online. For more information on how to attend and vote online, please refer to the Information Circular dated March 4, 2021.

Investor Relations Inquiries
Tel 604 661 2600
invest@methanex.com

Shares Listed
Toronto Stock Exchange – MX
NASDAQ Global Select Market – MEOH

Annual Information Form (AIF)
The corporation's AIF can be found online at *www.sedar.com*.

A copy of the AIF can also be obtained by contacting our head office.

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2020
ANNUAL REPORT

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