

Communicating

with the communities where we work and live



Methanex is a Responsible Care® company committed to the safe, ethical and environmentally sound management of the chemicals it makes and uses according to codes of practice established by the Canadian Chemical Producers' Association. As part of our commitment to Responsible Care and Corporate Social Responsibility, we report annually to the public about our activities related to these initiatives.

Our dedication to Responsible Care and Corporate Social Responsibility keeps the well-being of all stakeholders as a priority wherever we do business.

Cover Photography
*Methanex's 2005 Photography Contest Winner:
Jaime Pirozzi González from Magallanes, Chile.
(See inside back cover for story.)*

Who is Methanex?

Methanex is the world's largest producer, distributor and marketer of methanol. Our corporate headquarters are in Vancouver, Canada. Production facilities are located in Chile, New Zealand and Trinidad & Tobago, with sales offices in North America, South America, Europe and throughout the Asia Pacific region.

What is Methanol?

Methanol is a clear biodegradable liquid chemical made from natural gas. It is a versatile petrochemical feedstock that is used to make countless consumer products such as synthetic textiles, recyclable plastics, household paints, adhesives and many health care and pharmaceutical products. New uses for methanol continue to be developed. For example, it is now being used as a chemical aid to effectively remove harmful nitrates from municipal waste water effluent. Methanol is also an excellent source of hydrogen for fuel cells.

In 2005, Methanex sales of 7 million tonnes represented approximately 20 per cent of the total estimated 2005 global demand for methanol of 35 million tonnes.

Transforming natural gas into pure methanol

When natural gas is mixed with steam and heated to 900°C (about 1650°F) over a catalyst, it is transformed to "synthesis" gas. This gas is pressurized and converted to crude methanol, which is then distilled to yield pure methanol, a chemical rich in hydrogen.



President's Message

Communication at all levels of the company played a vital role in Methanex's global operations during 2005. Good communication helped us foster high engagement among our employees, build better corporate governance practices and develop closer stakeholder relationships in our communities. It helped us extend our Responsible Care ethic and our corporate values beyond the plant gates and into the communities where we live and work.

This year's annual report to stakeholders, entitled *Communicating with the Communities Where We Work and Live*, brings together our dual commitment to Responsible Care and Corporate Social Responsibility in a single document. The content of this report clearly demonstrates how communication – through our many information, awareness and education programs – builds a strong Responsible Care culture and furthers Methanex's commitment to Corporate Social Responsibility.

Our actions under Responsible Care and Corporate Social Responsibility ensure we pursue operational excellence in all of our business practices. Whether it is leading industry best practices for the safe handling of methanol, initiating global security measures for the safety of our travelling employees or developing



Bruce Aitken (left) with Eduardo Obando, a Production Operator at Methanex's plant in Punta Arenas, Chile.

community programs that address local needs, Methanex is committed to acting in the best interests of our stakeholders.

Upholding the Responsible Care ethic requires a strong team of dedicated employees. The professionalism and commitment of our employees allows us to achieve our strategic goals and ensure that our objectives and vision are maintained through all of our health, safety, environmental and community initiatives.

As you will see in this report, Responsible Care and Corporate Social Responsibility are an integral part of the way we do business. By connecting, communicating and collaborating with our employees, communities and other stakeholders, we remain committed to doing business the right way – the Responsible Care way.

A handwritten signature in black ink, appearing to read 'Bruce Aitken'.

Bruce Aitken
President and Chief Executive Officer

Global

As the global leader in methanol production, we manage our business in an atmosphere of trust and transparency and set the highest standards of performance in everything we do, wherever we operate. We respect and care about those who depend on us as an employer, supplier, customer, community neighbour and a responsible global corporate citizen.

Our commitment to Responsible Care and Corporate Social Responsibility depends on effective communication in our workplaces and communities. The successful implementation of health and safety programs, workplace training, environmental initiatives and community and social support depends on how well we communicate our objectives, goals and aspirations. Communication is essential in achieving operational excellence in the global manufacturing, sales and distribution of methanol. Communicating effectively with all our stakeholders makes our commitment to Responsible Care and Corporate Social Responsibility a visible and expected part of our global business ... every day.

After two years of construction, Chile IV reached its “technical production” milestone on July 4, 2005.



Ships berthed in Rotterdam – Methanex’s largest terminal in Europe.



Methanex Chile Opens Fourth Methanol Plant

Methanex completed its fourth plant in Chile in 2005 with an excellent safety record throughout the construction and start-up phases. There were no lost time injuries (LTIs) recorded for the first three million exposure-hours, and there were only two LTIs recorded during a total of 5.8 million labour hours of construction. Responsible Care initiatives meant that 123,000 hours were devoted to on-the-job training, which certainly played a major role in this successful safety record. The lessons learned during construction of Chile IV are being used to establish a new standard of safety performance for future Methanex construction projects.

Methanex Reviews Corporate Governance Systems

In 2005, Methanex was ranked 15th out of 209 publicly traded Canadian companies included in the annual corporate governance survey carried out by Canada’s national newspaper *The Globe and Mail*. Over the year, Methanex enhanced a number of its existing governance practices. For example, the Board conducted a comprehensive assessment of the critical risks facing the company. To strengthen the Board renewal process and support Methanex’s strategic direction, the Board also implemented a new appraisal system to identify required skill sets for potential Board members.

Methanex Joins Chemical Distribution Institute

In 2005, Methanex joined the European-based Chemical Distribution Institute’s inspection program for terminal storage facilities (CDI-T). Originally developed to support the European chemical industry’s Responsible Care commitment to improving the safety, environmental and quality performance of bulk liquid storage terminals, CDI-T has become a standardized and independent inspection system operating around the world.

In joining the CDI-T, Methanex commits to an independent audit and terminal inspection every three years to verify that safety and performance best

practices are in place at Methanex’s owned and third-party terminals. This comprehensive evaluation process gives us an independent global benchmark against which we can measure and improve the safety, performance and operating standards of all the storage terminals in our global network.

Environment

Minimizing our environmental footprint through the complete life cycle of our plants and our product is one of the ways we manage our stewardship role and accomplish one of the fundamental objectives of Responsible Care.

Communication is an integral part of meeting our environmental commitment under Responsible Care. One of our corporate priorities is to ensure that our stakeholders understand what we are doing every day to ensure the safe manufacturing, storage and transportation of methanol to our global customers.

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Chile's picturesque Torres del Paine National Park hosts thousands of visitors every year, and is home to many species of birds and animals.



Protecting a Forest Habitat

A huge forest fire in 2005 devastated important areas of Chile's Torres del Paine National Park. The park is located in the region of Magallanes near Methanex's production hub in Punta Arenas. When the fire broke out, Methanex immediately sent technical support and fire equipment to the site to help with the emergency. The park is one of southern Chile's most admired tourist attractions and a UNESCO biosphere reserve that is home to a rich variety of birds and wildlife. In the aftermath of the fire, Methanex helped fund an extensive fire prevention, education and safety campaign conducted by the National Forestry Corporation of Chile.

Fuel Cell Product Stewardship

Methanex continued to promote best practices for the safe handling of methanol in portable power fuel cell applications in 2005. These applications are used to power laptop computers and other portable electronic devices. Methanex's government relations office worked with organizations such as the US Fuel Cell Council, Fuel Cells Canada and the US Department of Transportation to craft a proposal allowing methanol fuel cell cartridges as part of carry-on baggage on passenger aircraft.

The proposal complied with a strict international safety code established

by the International Electrotechnical Commission. Methanex was an active member of the Portable Power Working Group of the US Fuel Cell Council that helped establish these safety codes, and by doing so we were successful in promoting safer products for consumers worldwide.

Removing soil for treatment is part of the cleanup of Methanex's closed Medicine Hat plant site.



Medicine Hat Reclamation Project

In 2005, Methanex demolished two of its three methanol plants in Medicine Hat, Canada. Ninety-three per cent of the plant site construction material was reused, recycled or recovered for further use. Methanex then began a land remediation program to manage what remained. The 30-year-old site – acquired by Methanex in 1994 – contained metal-contaminated soil, areas of residual methanol in the sub-soil, concrete foundations and extensive underground steel piping that all had to be removed and disposed of safely and responsibly.

The metals – mainly copper and nickel – were non-hazardous but had permeated the soil and could not be separated. Nearly 18,000 tonnes of soil were removed and transported to a nearby landfill site. The concrete foundations were crushed into small chunks to be reused as grading material in new road construction. The steel piping was reinforced and reused as construction pilings. The cleanup of methanol in the soil is continuing and full remediation is expected to take several years.

New Zealand's Massey University campus.



New Zealand's Environmental Responsiveness

New Zealand's Massey University ranked Methanex first out of 39 participants in its 2005 survey on national environmental responsiveness. This is the first time Methanex has received this honour.

The survey looked at all aspects of environmental sustainability, from governance through to product stewardship, and included the effectiveness of employee and community communications. Methanex New Zealand participates annually in the survey to compare its environmental performance with other companies in the country.

Methanex Public Affairs Specialist Zaneta Ewashko (left) and Paula Prociuk, Managing Director of CEA 2005, meet noted environmentalist David Suzuki.



Methanex Sponsors Canadian Educational Forum

For Methanex, 2005 marked its second year as a sponsor of the Canadian Environmental Awards (CEA). The awards honour individuals and groups who have made outstanding contributions to the protection, restoration or preservation of the Canadian environment. During the event, we hosted an educational forum on Corporate Social Responsibility that included a roundtable discussion about Canada's sustainable future.

Safety

We are focused on preventative and proactive safety practices. Our behaviour-based health and safety management systems are continuously improving. These safety programs and worker safety performance depend on effective on-the-job training programs and workplace communication practices. Together, they play a role in achieving excellent safety performance globally and contribute significantly to Methanex's high plant reliability rates.

In 2005, Methanex maintained an enviable worksite safety record. Our safety data is outlined in the charts at the end of this report.

Plant reliability rates are one indicator of a company's safety practices and effective on-the-job communications. In 2005, our four-unit site in Chile had a combined reliability rate of 98.5 per cent, while the average reliability rate for all of our plant locations was 95.4 per cent.

The safety board says it all – nearly six years without an LTI at Methanex's plants in New Zealand.

A Methanex firefighting team from Chile extinguishes a fire during a training exercise in Argentina.



The Safety Payoff in New Zealand

Methanex New Zealand has demonstrated that downsizing and plant closures can be accomplished with no decline in workplace safety performance. In 2005, Methanex New Zealand celebrated a significant safety milestone – five full years without a lost time injury. This record was achieved despite the increased maintenance work associated with permanently shutting down the Motunui plant and temporarily shutting down and re-starting the Waitara Valley plant.

Turnaround at Titan in Trinidad

Plant turnarounds – complex maintenance projects where operating units are shut down completely for major repairs and upgrading – continue to become safer at Methanex. During 2005, Methanex Trinidad's Titan plant was shut down for 36.7 days to make operational and process improvements. A daily newsletter for employees, contractors and other Methanex sites provided regular updates on the project and its safety record, and included safety tips and photos of work in progress. During the peak period of shutdown activity, over 800 contractors were working on site and more than a dozen Methanex employees from the adjacent

Fire Brigade Exercises in Chile

During the year, five of Methanex Chile's fire brigades joined one of the Punta Arenas Fire Units for training exercises designed to make the brigades a formidable firefighting force in the region. Two brigades from Methanex travelled to training facilities in Buenos Aires, where they received special instruction in managing fires of alcohol and other volatile materials. Methanex firefighters also participated in a firefighting demonstration at the International Congress of Industrial Wastes Management conference in Punta Arenas co-sponsored by Methanex Chile.



Shipboard Safety and Reducing Methanol Accidents at Sea

In 2005, Methanex produced its first international safety training video targeted at ships' crews. Crews need to know how to safely handle methanol to minimize on-board and in-port shipping incidents.

The training video – part of a larger, on-board education and training program conducted year-round to accommodate constant crew rotations – was produced in six of the most common languages spoken by crews on the vessels used by Methanex.

We have made this video available in DVD format as a free educational tool

for distribution throughout the global methanol industry and to all marine and shipping operators who handle methanol worldwide.

Global Security at Methanex

In light of recent political and global health concerns, the security and safety of Methanex employees who travel on business became a Responsible Care priority in 2005. Travel safety guidelines and procedures are now in place, making safety and security consciousness an integral part of everyone's travel routine whenever Methanex employees conduct business abroad.

The prospect of a global pandemic prompted the development of a company-wide contingency and management plan to deal with such a situation. Communications, medical treatment, employee and family

issues, business continuity strategies and mitigation and treatment options – these are all part of Methanex's preparedness planning for events such as a global outbreak of an infectious disease.

Community

We communicate with a wide variety of people, communities and organizations who take an active interest in our plant site operations. Initiating programs that create a continuous dialogue with community members is one way we extend Corporate Social Responsibility beyond the plant gates and into the community itself.

Every Methanex manufacturing site has a Community Advisory Panel made up of independent community volunteers. These advisors regularly meet with and present their views and concerns to Methanex management. Strong local hiring policies at all Methanex plant facilities often make us a major employer in the region and further reinforce our close connections with the community. Through our local Social Investment Programs, we actively support educational, health care and community activities. In addition to providing funding and financial support, we also encourage and provide opportunities for employees to volunteer with non-profit organizations in their local communities.

A historic photograph of aboriginal tribesmen from the Magallanes region in Chile. Image courtesy of Maggiorino Borgatello Museum.



Advanced techniques are used to restore and preserve historic photographs (like the one on the left).



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Recovering Regional History in Chile

Methanex is supporting a regional historical project now underway at the Maggiorino Borgatello Museum in the city of Punta Arenas. More than 30,000 historic photographs of the Magallanes region taken between 1920 and 1960 are being recovered and preserved with our financial support. The photographs have significant scientific value. Part of the collection contains rare historical images of local glaciers – of great interest to environmental researchers – and photos and early films of extinct aboriginal tribesmen from the region, which are of significant anthropological and social value.

Methanex Offers University of Trinidad and Tobago Scholarships

In 2005, Methanex Trinidad offered eight academic merit scholarships in engineering at the University of Trinidad and Tobago (UTT). These scholarships are part of an ongoing partnership with UTT to encourage students to pursue their education in the applied sciences so they can someday support local economic development and employment growth on the islands.

The scholarships cover tuition and textbook fees until graduation. Scholarship recipients also have the opportunity to intern at Methanex during one of their required work semesters. This familiarity helps

Methanex Trinidad become a “first choice” employer when the students graduate.

This scholarship program is the latest in a series of educational grants and extended financial support that Methanex has given UTT over the years.

Cracked mud blankets a residential area in New Orleans, USA in the aftermath of Hurricane Katrina.



The Gulf Coast Hurricane Challenge

Hurricanes Katrina and Rita put Methanex's Texas and Louisiana operations on emergency alert and served up the ultimate test of our emergency preparedness. When Katrina hit Louisiana, methanol that was normally moved by barge along the Gulf Coast and Mississippi River had to be transferred to rail and truck. The New Orleans hurricane shut down Methanex's contracted terminal in St. Rose, but it was back up and running just days after the storm. Hurricane Rita then hit Texas. The evacuation of Houston, where Methanex has its engineering office, was the largest in Texas history. Methanex co-workers in Dallas provided

shelter and assistance to Houston-based colleagues and their families who had to evacuate.

Methanex customer service worked hard to ensure there was no interruption in methanol supply to our customers. Good communication during the whole ordeal was essential, especially to suppliers and customers, who praised us as one of the few companies able to communicate regularly during the disasters.

Eka and Selyna Syafi, refugees from tsunami-torn Indonesia, now attend the Motunui school that Methanex supports.



A Helping Hand in the Community

Even though Methanex's plant in Motunui, New Zealand is shut down, we remain an active part of the local community. For example, Methanex New Zealand continues to be involved in "partnership" projects to upgrade and improve the local primary school, located one kilometre away from the plant site. In addition to providing funds in 2005 for desperately needed electrical upgrades at the school when it had no budget to undertake them, Methanex also sponsored the school's participation in the "Books in Homes" national literacy project.

Roger Neumann, Director, Manufacturing (left), receiving the award from the President of the Labor Committee, Chilean Congress.



Methanex Receives Congress Medal

The Chilean government's Labor and Social Security Congress Committee visited Methanex facilities in 2005 to learn more about the company, its labour relations and the plant's internal communications program. Interest was also shown in Methanex's Responsible Care practices and how they might be extended to other parts of the Chilean labour system. The Committee presented Methanex with the Congress Medal in recognition of our operational excellence and our Responsible Care ethic and practices.

Health

We are continually improving the health and safety management systems in place at all our plant sites and office locations. A global communication network and incident reporting system enables each facility to share safety and health data, record incident and accident information about what happened and why, and initiate system-wide corrective measures to prevent a recurrence.

Positive social engagement and mental attitude in the personal and professional life of employees is an important part of the work-life balance ethic. We conduct regular employee engagement surveys to ensure that employees have a forum to communicate with senior management on issues related to their personal and professional lives. The well-being of our employees, the members of local communities and all those who do business with us is part of our Responsible Care ethic and a central consideration of our Corporate Social Responsibility initiatives.

Methanex Vancouver employees participated in a 24-Hour Relay to raise funds for children with disabilities to attend summer camp.



Methanex employee Don Tough cycled 1000 miles in the American Lung Association's Pacific Coast Big Ride.



Promoting Work-Life Balance

We conducted our fifth global employee engagement survey in 2005. In recent years, improving work-life balance has become a key focus in our efforts to increase employee engagement and personal job satisfaction. Every Methanex workplace is looking at flexible work options, with the most popular being reduced hours per week or flexible hours during the working day.

Other programs to encourage employees to stay active, happy and well-balanced are in place at every office. For example, at Methanex's New Zealand facilities, a popular physician and personal motivator gave a series of seminars

in 2005 to employees and their family members on the impact of negative thinking and how to turn negatives into positives to feel better – physically and mentally.

Worldwide, we encourage employees to stay physically active to maintain good emotional and physical health. Methanex subsidizes fitness fees for employees. And many employees are running, walking or cycling to raise money for charity. These are win-win endeavours as employees are engaged in physical activity while supporting their communities.

Long-Term Global Health and Workplace Hazard Study

Methanex is currently conducting a 10-year global study on the general health of all employees to determine if their overall incidence of disease or illness varies from that of the general population. Each year, employees are asked a series of health questions. All collected data is confidential and analyzed by an external consulting firm for any unusual health trends. Any statistical variance from the general population will trigger a more detailed study to determine exactly what may be causing the difference. While methanol exposure is only one of the workplace hazards covered in the study, the absence or presence of any

unusual health patterns will add to our knowledge about long-term, low-level human exposure to the chemical. The study will also monitor the effectiveness of our existing workplace hazard control and wellness programs.

Corporate Social Responsibility

In 2005, the Methanex Board of Directors formally approved a policy on Corporate Social Responsibility as a natural extension of our Responsible Care ethic. This policy, which is an enhancement and natural evolution of our commitment to Responsible Care, is becoming an integral part of Methanex's culture. The guiding principles of Corporate Social Responsibility will be closely linked to our core values and business strategy as they involve business ethics, governance, employment practices, employee engagement and the many ways we engage in community involvement.

A Methanex presentation in Chile promoting Community Advisory Panels as a successful form of two-way communication with a local community.



Promoting Corporate Social Responsibility in Chile

As a leading chemical company in Chile and one of the country's largest foreign investors, Methanex plays an important role in promoting the value of Corporate Social Responsibility to other members of the business community. This was accomplished through several initiatives in 2005. Methanex Chile supported a special Corporate Social Responsibility newspaper supplement targeted to local businesses in the Magallanes region and organized a regional seminar for local contractors to encourage Responsible Care efforts and help them set their own goals for 2006. Methanex also co-sponsored the third conference on Corporate Social

Responsibility, "Who is Responsible for Responsibility," held in Santiago and organized by the International Bank and the Confederación de la Producción y el Comercio. At the conference, Methanex made a presentation about local Community Advisory Panels as a successful way to communicate within a community.

An aerial view of Methanex's plant in Kitimat, British Columbia, Canada.



Communicating When a Plant Closes

Methanex closed its Kitimat plant in 2005 after rising natural gas prices made it uneconomical to produce methanol at the site. Leading up to this decision, we placed a high priority on communicating openly to our 120 Kitimat-based employees. As early as 2004, employees were given details about severance packages so they would know the financial compensation they would receive if the plant closed. Throughout 2005, Kitimat managers regularly held communication sessions with employees, and a quarterly CEO luncheon also provided an ongoing forum for employees to ask questions.

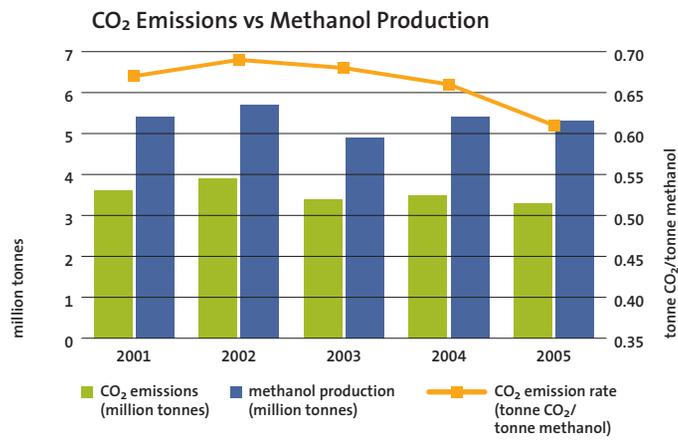
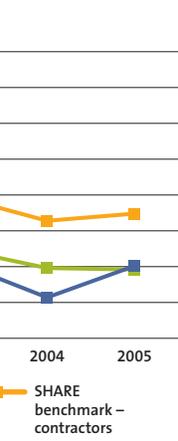
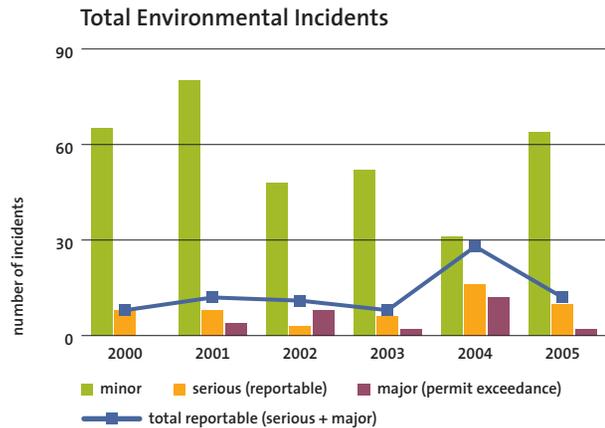
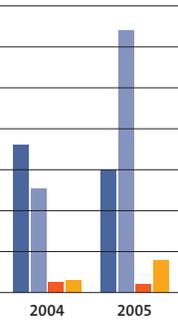
President and CEO Bruce Aitken went to Kitimat to personally announce the closure so that employees could ask questions of him directly. Letters explaining the closure were sent to various government, community, industry and media contacts.

Following the announcement, all employees received an information package that outlined their financial information and available career transition support. On-site information sessions for employees were held over the following months on topics from financial planning to resumé writing.

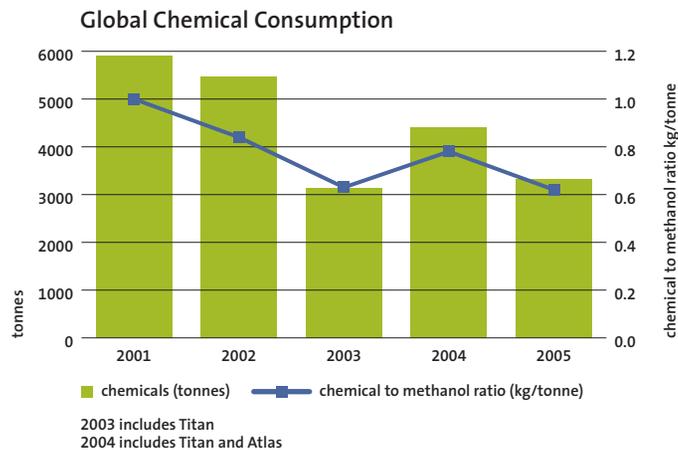
Methanex Initiates Energy Media Award

Methanex Trinidad implemented the Methanex Energy Media Award in 2005. This quarterly award recognizes journalistic accomplishment and encourages regional members of the media in the Caribbean and the Americas to write about energy issues affecting Trinidad and Tobago as well as economic development throughout the Caribbean. The two recipients of the award – journalists from the *Trinidad Guardian* and *Reuters* – had the opportunity to attend the Caribbean-Central American Action organization's 29th annual conference in Miami, Florida. During this conference, government and energy sector leaders

from Central America and the Caribbean convened to discuss economic and political issues common to the region. Methanex was invited to participate and share its approach to Responsible Care and Corporate Social Responsibility.



number of recordable injuries include incidents restricted work or lost time. (and Exchange) is a database association. Methanex employees whose employees year.



Global Reporting Initiative (GRI)

Sustainability Reporting Guidelines (June 2000)

GRI #	GRI Indicators		Methanex 2002	Methanex 2005
6.1	Total energy use (excluding electricity)	GJ	216,067,000	192,680,000
6.2	Total electricity use	MWhr	246,000	241,000
	Electricity self-generated – thermal ¹	%	46	55
	Electricity purchased – thermal ¹	%	13	16
	Electricity purchased – hydro ¹	%	38	27
	Electricity purchased – geothermal/renewable ¹	%	3	2
6.12	Total freshwater use	m ³	14,418,000	7,998,000
	Total seawater use (cooling system) – estimated ²	m ³	—	—
6.14	Greenhouse gas emissions (CO ₂)	tonnes	3,934,000	3,396,000
6.15	Ozone-depleting substance emissions	kg	65	0
6.32	Land owned, leased, managed or otherwise affected by Methanex	hectares	876	876
6.35	Impacts on protected areas (World Heritage sites etc.)		none	none
6.36	Magnitude and nature of penalties for non-compliance (environment, safety)	USD	none	none
6.37	Net profit (net income before unusual items) ³	USD	109.4 million	180.6 million
6.62	Employee alignment with Methanex's purpose or mission ⁴ (agree or strongly agree)	%	56	77
6.64	a) Overall employee engagement ⁴ (agree or strongly agree)	%	67	66
6.65	Job satisfaction level ⁴	%	highly satisfied	80
6.66	Recordable injuries (employees & contractors)	#	13	17

Note: 1. Due to rounding, percentages may not add up to 100%.
 2. New method for calculating seawater usage was used in 2004 - values for 2002/03 are not comparable.
 3. Equivalent to "Income before unusual items (after-tax)."
 4. Data for indices 6.62 to 6.65 in 2003 and 2004 are derived from the global employee survey administered by Hewitt & Associates in 2003. Engagement surveys are conducted biennially.

Photography Contest

For this year's cover, Methanex hosted a global Responsible Care Photography Contest. Employees and their direct family members were invited to enter photographs that represented the Responsible Care ethic. The grand prize winner – who won the coveted front cover position – was Jaime Pirozzi González, a Production Operator at Methanex's plant in Punta Arenas, Chile.

Jaime's photograph is of the Chile II plant working hard in the early morning hours.

Methanex thanks all of the talented employees and family members who participated in this contest. All of the entries are featured on the back cover of this report.



Rodrigo Sánchez
(Punta Arenas, Chile)
Giovani Bortolameolli
(Punta Arenas, Chile)



Paul Bernet
*(Waitara Valley,
New Zealand)*
Gabriela Portales
(Punta Arenas, Chile)
Jim Wilkins
(Vancouver, Canada)