

Methanex Corporation
Consolidated Statements of Income (Loss) *(unaudited)*
(thousands of U.S. dollars, except number of common shares and per share amounts)

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Revenue	\$ 467,893	\$ 637,799	\$ 902,746	\$ 1,214,538
Cost of sales and operating expenses	(430,071)	(525,745)	(833,822)	(1,027,716)
Depreciation and amortization	(58,494)	(47,483)	(111,473)	(94,440)
Argentina gas settlement (note 11)	32,500	—	32,500	—
Gain on termination of terminal services agreement	—	65,000	—	65,000
Operating income (loss)	11,828	129,571	(10,049)	157,382
Earnings of associate (note 4)	2,314	6,714	2,087	16,889
Finance costs (note 6)	(21,858)	(17,225)	(42,859)	(38,767)
Finance income and other expenses	(113)	2,591	2,988	(6,568)
Income (loss) before income taxes	(7,829)	121,651	(47,833)	128,936
Income tax recovery (expense):				
Current	(10,892)	(2,398)	(26,329)	(8,505)
Deferred	11,474	(17,532)	36,549	(6,092)
	582	(19,930)	10,220	(14,597)
Net income (loss)	\$ (7,247)	\$ 101,721	\$ (37,613)	\$ 114,339
Attributable to:				
Methanex Corporation shareholders	\$ (2,877)	\$ 104,580	\$ (26,275)	\$ 113,234
Non-controlling interests	(4,370)	(2,859)	(11,338)	1,105
	\$ (7,247)	\$ 101,721	\$ (37,613)	\$ 114,339
Income (loss) per common share for the period attributable to Methanex Corporation shareholders				
Basic net income (loss) per common share	\$ (0.03)	\$ 1.15	\$ (0.29)	\$ 1.24
Diluted net income (loss) per common share (note 7)	\$ (0.08)	\$ 1.15	\$ (0.34)	\$ 1.23
Weighted average number of common shares outstanding (note 7)	89,796,238	91,020,729	89,757,698	91,387,152
Diluted weighted average number of common shares outstanding (note 7)	89,876,849	91,326,720	89,821,964	92,109,966

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation

Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*

(thousands of U.S. dollars)

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Net income (loss)	\$ (7,247)	\$ 101,721	\$ (37,613)	\$ 114,339
Other comprehensive income (loss), net of taxes:				
Items that may be reclassified to income:				
Change in fair value of cash flow hedges (note 10)	116,548	(3,979)	66,829	(1,595)
Forward element excluded from hedging relationship (note 10)	(95,947)	(150)	(64,237)	(72)
Change in fair value of interest rate swap contracts	—	—	—	(12)
Realized loss on interest rate swap contracts reclassified to finance costs	—	—	—	3,205
Taxes on above items	(6,845)	1,392	(830)	(428)
	13,756	(2,737)	1,762	1,098
Comprehensive income (loss)	\$ 6,509	\$ 98,984	\$ (35,851)	\$ 115,437
Attributable to:				
Methanex Corporation shareholders	\$ 10,879	\$ 101,843	\$ (24,513)	\$ 113,214
Non-controlling interests	(4,370)	(2,859)	(11,338)	2,223
	\$ 6,509	\$ 98,984	\$ (35,851)	\$ 115,437

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation
Consolidated Statements of Financial Position (unaudited)
(thousands of U.S. dollars)

AS AT	Jun 30 2016	Dec 31 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 238,970	\$ 254,934
Trade and other receivables	405,855	504,350
Inventories (note 2)	253,706	253,234
Prepaid expenses	19,777	19,560
	918,308	1,032,078
Non-current assets:		
Property, plant and equipment (note 3)	3,192,790	3,158,782
Investment in associate (note 4)	195,016	224,165
Deferred income tax assets	100,241	61,881
Other assets	78,363	79,018
	3,566,410	3,523,846
	\$ 4,484,718	\$ 4,555,924
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	\$ 444,252	\$ 508,639
Current maturities on long-term debt (note 5)	52,599	47,864
Current maturities on other long-term liabilities	9,036	25,439
	505,887	581,942
Non-current liabilities:		
Long-term debt (note 5)	1,501,477	1,488,026
Other long-term liabilities (note 3)	314,825	231,745
Deferred income tax liabilities	289,140	285,638
	2,105,442	2,005,409
Equity:		
Capital stock	510,519	509,464
Contributed surplus	2,548	2,426
Retained earnings	1,159,941	1,235,615
Accumulated other comprehensive loss	(26,014)	(27,776)
Shareholders' equity	1,646,994	1,719,729
Non-controlling interests	226,395	248,844
Total equity	1,873,389	1,968,573
	\$ 4,484,718	\$ 4,555,924

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation

Consolidated Statements of Changes in Equity (unaudited)

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

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity	Non- Controlling Interests	Total Equity
Balance, December 31, 2014	92,326,487	\$ 521,022	\$ 2,803	\$1,262,961	\$ (413)	\$ 1,786,373	\$ 266,844	\$ 2,053,217
Net income	—	—	—	113,234	—	113,234	1,105	114,339
Other comprehensive income (loss)	—	—	—	—	(20)	(20)	1,118	1,098
Compensation expense recorded for stock options	—	—	455	—	—	455	—	455
Issue of shares on exercise of stock options	236,681	3,616	—	—	—	3,616	—	3,616
Reclassification of grant date fair value on exercise of stock options	—	1,016	(1,016)	—	—	—	—	—
Payments for repurchase of shares	(2,106,991)	(11,870)	—	(99,115)	—	(110,985)	—	(110,985)
Dividend payments to Methanex Corporation shareholders	—	—	—	(47,819)	—	(47,819)	—	(47,819)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(10,449)	(10,449)
Equity contributions by non-controlling interests	—	—	—	—	—	—	300	300
Balance, June 30, 2015	90,456,177	513,784	2,242	1,229,261	(433)	1,744,854	258,918	2,003,772
Net income	—	—	—	87,383	—	87,383	631	88,014
Other comprehensive loss	—	—	—	(1,063)	(27,343)	(28,406)	—	(28,406)
Compensation expense recorded for stock options	—	—	287	—	—	287	—	287
Issue of shares on exercise of stock options	54,121	311	—	—	—	311	—	311
Reclassification of grant date fair value on exercise of stock options	—	103	(103)	—	—	—	—	—
Payments for repurchase of shares	(839,100)	(4,734)	—	(30,564)	—	(35,298)	—	(35,298)
Dividend payments to Methanex Corporation shareholders	—	—	—	(49,402)	—	(49,402)	—	(49,402)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(12,105)	(12,105)
Equity contributions by non-controlling interests	—	—	—	—	—	—	1,400	1,400
Balance, December 31, 2015	89,671,198	509,464	2,426	1,235,615	(27,776)	1,719,729	248,844	1,968,573
Net loss	—	—	—	(26,275)	—	(26,275)	(11,338)	(37,613)
Other comprehensive income	—	—	—	—	1,762	1,762	—	1,762
Compensation expense recorded for stock options	—	—	379	—	—	379	—	379
Issue of shares on exercise of stock options	125,040	798	—	—	—	798	—	798
Reclassification of grant date fair value on exercise of stock options	—	257	(257)	—	—	—	—	—
Dividend payments to Methanex Corporation shareholders	—	—	—	(49,399)	—	(49,399)	—	(49,399)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(11,636)	(11,636)
Equity contributions by non-controlling interests	—	—	—	—	—	—	525	525
Balance, June 30, 2016	89,796,238	\$ 510,519	\$ 2,548	\$1,159,941	\$ (26,014)	\$ 1,646,994	\$ 226,395	\$ 1,873,389

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation
Consolidated Statements of Cash Flows (unaudited)
(thousands of U.S. dollars)

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES				
Net income (loss)	\$ (7,247)	\$ 101,721	\$ (37,613)	\$ 114,339
Deduct earnings of associate	(2,314)	(6,714)	(2,087)	(16,889)
Dividends received from associate	3,155	12,620	31,550	44,170
Add (deduct) non-cash items:				
Depreciation and amortization	58,494	47,483	111,473	94,440
Income tax expense (recovery)	(582)	19,930	(10,220)	14,597
Share-based compensation expense (recovery)	(3,535)	10,205	(652)	31,952
Finance costs	21,858	17,225	42,859	38,767
Other	1,742	424	2,129	332
Income taxes paid	(1,514)	(8,551)	(2,084)	(34,134)
Other cash payments, including share-based compensation	(11,754)	(1,424)	(17,664)	(14,171)
Cash flows from operating activities before undernoted	58,303	192,919	117,691	273,403
Changes in non-cash working capital (note 9)	(24,506)	(110,781)	(13,916)	(154,192)
	33,797	82,138	103,775	119,211
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Payments for repurchase of shares	—	(60,829)	—	(110,985)
Dividend payments to Methanex Corporation shareholders	(24,694)	(24,900)	(49,399)	(47,819)
Interest paid, including interest rate swap settlements	(25,362)	(27,399)	(38,736)	(47,941)
Net proceeds on issue of long-term debt	35,007	—	39,600	—
Repayment of long-term debt	(918)	(1,825)	(22,984)	(171,653)
Equity contributions by non-controlling interests	525	—	525	300
Distributions to non-controlling interests	—	—	(500)	(910)
Proceeds on issue of shares on exercise of stock options	—	896	798	3,616
Other	(1,411)	(1,438)	(2,357)	(2,558)
Changes in non-cash working capital related to financing activities (note 9)	(5,689)	(6,381)	(11,154)	(7,835)
	(22,542)	(121,876)	(84,207)	(385,785)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES				
Property, plant and equipment	(45,857)	(43,886)	(61,307)	(62,611)
Geismar plants under construction	—	(83,707)	—	(170,891)
Termination of terminal services agreement	—	65,000	—	65,000
Other assets	—	—	(66)	1,996
Changes in non-cash working capital related to investing activities (note 9)	(1,439)	(39,675)	25,841	(33,809)
	(47,296)	(102,268)	(35,532)	(200,315)
Decrease in cash and cash equivalents	(36,041)	(142,006)	(15,964)	(466,889)
Cash and cash equivalents, beginning of period	275,011	626,717	254,934	951,600
Cash and cash equivalents, end of period	\$ 238,970	\$ 484,711	\$ 238,970	\$ 484,711

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Except where otherwise noted, tabular dollar amounts are stated in thousands of U.S. dollars.

1. Basis of presentation:

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.

These condensed consolidated interim financial statements are prepared in accordance with *International Accounting Standards (IAS) 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) on a basis consistent with those followed in the most recent annual consolidated financial statements.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Audit, Finance & Risk Committee of the Board of Directors on July 27, 2016.

These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015.

Certain comparative figures in the consolidated statements of financial position have been reclassified to conform to the current period's presentation.

2. 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 included in cost of sales and operating expenses and depreciation and amortization for the three and six month periods ended June 30, 2016 is \$426 million (2015 - \$502 million) and \$812 million (2015 - \$962 million), respectively.

3. Property, plant and equipment:

	Buildings, Plant Installations & Machinery	Finance Leases	Other	Total
Cost at June 30, 2016	\$ 4,540,975	\$ 206,260	\$ 248,684	\$ 4,995,919
Accumulated depreciation at June 30, 2016	1,651,514	11,425	140,190	1,803,129
Net book value at June 30, 2016	\$ 2,889,461	\$ 194,835	\$ 108,494	\$ 3,192,790
Cost at December 31, 2015	\$ 4,521,835	\$ 121,849	\$ 204,483	\$ 4,848,167
Accumulated depreciation at December 31, 2015	1,545,834	6,853	136,698	1,689,385
Net book value at December 31, 2015	\$ 2,976,001	\$ 114,996	\$ 67,785	\$ 3,158,782

During the six months ended June 30, 2016, the Company took delivery of three new ocean going vessels which are included in property, plant and equipment. Two of the vessels are accounted for as finance leases, with offsetting finance lease obligations recorded in other long-term liabilities, and the third is owned through a less than wholly-owned entity under the Company's control and included in "Other".

4. Interest in Atlas joint venture:

- 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	Jun 30 2016	Dec 31 2015
Cash and cash equivalents	\$ 17,241	\$ 57,620
Other current assets	25,641	45,854
Non-current assets	341,891	332,072
Current liabilities	(26,127)	(30,440)
Other long-term liabilities, including current maturities	(169,913)	(169,681)
Net assets at 100%	188,733	235,425
Net assets at 63.1%	119,090	148,553
Long-term receivable from Atlas	75,926	75,612
Investment in associate	\$ 195,016	\$ 224,165

Consolidated statements of income	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Revenue	\$ 45,604	\$ 95,119	\$ 67,977	\$ 182,634
Cost of sales and depreciation and amortization	(33,244)	(74,618)	(51,420)	(136,284)
Operating income	12,360	20,501	16,557	46,350
Finance costs, finance income and other expenses	(3,488)	(2,412)	(6,580)	(4,694)
Income tax expense	(5,205)	(7,449)	(6,670)	(14,890)
Net earnings at 100%	3,667	10,640	3,307	26,766
Earnings of associate at 63.1%	2,314	6,714	2,087	16,889
Dividends received from associate	\$ 3,155	\$ 12,620	\$ 31,550	\$ 44,170

b) Contingent liability:

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against Atlas in respect of the 2005, 2006, 2007, 2008, and 2009 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 from 2005 to 2019 related to methanol produced by Atlas. Atlas had partial relief from corporation income tax until late July 2014.

The Company has lodged objections to the assessments. Based on the merits of the cases and legal interpretation, management believes its position should be sustained.

5. Long-term debt:

As at	Jun 30 2016	Dec 31 2015
Unsecured notes		
\$350 million at 3.25% due December 15, 2019	\$ 346,725	\$ 346,289
\$250 million at 5.25% due March 1, 2022	247,533	247,360
\$300 million at 4.25% due December 1, 2024	296,375	296,219
\$300 million at 5.65% due December 1, 2044	295,060	295,031
	1,185,693	1,184,899
Egypt limited recourse debt facilities	309,626	330,003
Other limited recourse debt facilities	58,757	20,988
Total long-term debt ¹	1,554,076	1,535,890
Less current maturities	(52,599)	(47,864)
	\$ 1,501,477	\$ 1,488,026

¹ Long-term debt is presented net of deferred financing fees.

During the quarter ended June 30, 2016, the Company drew down \$35 million and made repayments of \$0.9 million on its other limited recourse debt facilities. Other limited recourse debt facilities relates to financing for certain of our Waterfront Shipping vessels which we own through less than wholly-owned entities for which we have a controlling interest.

The Company maintains a \$300 million committed revolving credit facility with a syndicate of highly rated financial institutions that expires in December 2019. During the second quarter of 2016, the Company amended the credit facility to allow for relief, if required, of the interest coverage ratio covenant through the end of 2017. Significant covenant and default provisions of the facility include:

- a) the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 calculated on a four-quarter trailing basis and a debt to capitalization ratio of less than or equal to 55%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments 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 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. Certain conditions have not been met, resulting in a restriction on shareholder distributions from the Egypt entity. As of June 30, 2016, the Egypt cash balance on a 100% ownership basis was \$84 million. The Egypt entity continues to be able to fully utilize its funds for operating, capital and financing needs, including the repayment of the Egypt limited recourse debt facilities.

At June 30, 2016, management believes the Company was in compliance with all significant terms and default provisions related to long-term debt obligations.

6. Finance costs:

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Finance costs	\$ 21,858	\$ 20,890	\$ 42,859	\$ 48,608
Less capitalized interest related to Geismar plants under construction	—	(3,665)	—	(9,841)
	\$ 21,858	\$ 17,225	\$ 42,859	\$ 38,767

Finance costs are primarily comprised of interest on borrowings and finance lease obligations, the effective portion of interest rate swaps designated as cash flow hedges, amortization of deferred financing fees, finance costs related to finance leases, and accretion expense associated with site restoration costs. Capitalized interest relates to interest costs capitalized for the Geismar project which was completed in 2015.

7. 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, tandem share appreciation rights ("TSARs") were exercised or converted to common shares. For the three and six months ended June 30, 2016, the Company incurred a net loss attributable to Methanex shareholders and therefore the impact of the potential dilution of stock options is anti-dilutive.

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 equity-settled method was more dilutive for the three and six months ended June 30, 2016.

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

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Numerator for basic net income (loss) per common share	\$ (2,877)	\$ 104,580	\$ (26,275)	\$ 113,234
Adjustment for the effect of TSARs:				
Cash-settled recovery included in net income	(2,252)	—	(675)	—
Equity-settled expense	(1,793)	—	(3,656)	—
Numerator for diluted net income (loss) per common share	\$ (6,922)	\$ 104,580	\$ (30,606)	\$ 113,234

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

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Denominator for basic net income (loss) per common share	89,796,238	91,020,729	89,757,698	91,387,152
Effect of dilutive stock options	—	305,991	—	722,814
Effect of dilutive TSARs	80,611	—	64,266	—
Denominator for diluted net income (loss) per common share	89,876,849	91,326,720	89,821,964	92,109,966

8. Share-based compensation:

a) Share appreciation rights ("SARs"), TSARs and stock options:

(i) Outstanding units:

Information regarding units outstanding at June 30, 2016 is as follows:

(per share amounts in USD)	SARs		TSARs	
	Number of Units	Weighted Average Exercise Price	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2015	1,259,208	\$ 44.48	2,108,965	\$ 42.73
Granted	375,500	34.59	574,600	34.59
Exercised	(1,961)	28.74	—	—
Cancelled	(3,941)	58.77	—	—
Outstanding at March 31, 2016	1,628,806	\$ 42.19	2,683,565	\$ 40.99
Granted	—	—	—	—
Exercised	(5,130)	26.78	(4,800)	26.54
Cancelled	(13,380)	52.55	(37,400)	56.12
Outstanding at June 30, 2016	1,610,296	\$ 42.15	2,641,365	\$ 40.80

(per share amounts in USD)	Stock Options	
	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2015	448,507	\$ 30.52
Granted	75,500	34.59
Exercised	(125,040)	6.33
Cancelled	(1,800)	55.66
Expired	(12,000)	6.33
Outstanding at March 31, 2016	385,167	\$ 39.81
Exercised	—	—
Expired	—	—
Outstanding at June 30, 2016	385,167	\$ 39.81

Range of Exercise Prices (per share amounts in USD)	Units Outstanding at June 30, 2016			Units Exercisable at June 30, 2016		
	Weighted Average Remaining Contractual Life (Years)	Number of Units Outstanding	Weighted Average Exercise Price	Number of Units Exercisable	Weighted Average Exercise Price	
SARs:						
\$23.36 to \$40.72	3.97	1,127,529	\$ 33.33	747,029	\$ 32.65	
\$46.42 to \$73.13	5.27	482,767	62.74	225,123	65.59	
	4.36	1,610,296	\$ 42.15	972,152	\$ 40.28	
TSARs:						
\$23.36 to \$40.72	3.74	1,957,335	\$ 33.07	1,382,735	\$ 32.43	
\$46.42 to \$73.13	5.26	684,030	62.92	322,710	65.92	
	4.13	2,641,365	\$ 40.80	1,705,445	\$ 38.77	
Stock options:						
\$6.33 to \$25.22	0.68	49,750	\$ 25.22	49,750	\$ 25.22	
\$28.43 to \$73.13	4.36	335,417	41.97	210,639	40.32	
	3.88	385,167	\$ 39.81	260,389	\$ 37.44	

8. Share-based compensation (continued):

a) Share appreciation rights ("SARs"), TSARs and stock options (continued):

(ii) Compensation expense related to SARs and TSARs:

Compensation expense for SARs and TSARs is measured based on their fair value and is recognized over the vesting period. Changes in fair value each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value at June 30, 2016 was \$14.2 million compared with the recorded liability of \$11.8 million. The difference between the fair value and the recorded liability of \$2.4 million will be recognized over the weighted average remaining vesting period of approximately 1.81 years. The weighted average fair value was estimated at June 30, 2016 using the Black-Scholes option pricing model.

For the three and six month periods ended June 30, 2016, compensation expense related to SARs and TSARs included a recovery in cost of sales and operating expenses of \$3.5 million (2015 - expense of \$6.3 million) and a recovery of \$1.1 million (2015 - expense of \$25.0 million), respectively. This included a recovery of \$5.7 million (2015 - expense of \$3.1 million) and a recovery of \$6.2 million (2015 - expense of \$18.5 million), respectively, related to the effect of the change in the Company's share price for the three and six months ended June 30, 2016.

(iii) Compensation expense related to stock options:

For the three and six month periods ended June 30, 2016, compensation expense related to stock options included in cost of sales and operating expenses was \$0.2 million (2015 - \$0.2 million) and \$0.4 million (2015 - \$0.4 million), respectively. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes option pricing model.

b) Deferred, restricted and performance share units:

Deferred, restricted and performance share units outstanding at June 30, 2016 are as follows:

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performances Share Units
Outstanding at December 31, 2015	285,816	13,864	610,578
Granted	5,956	11,500	261,760
Granted performance factor ¹	—	—	55,592
Granted in-lieu of dividends	2,484	202	4,506
Redeemed	—	—	(355,415)
Cancelled	—	—	(5,570)
Outstanding at March 31, 2016	294,256	25,566	571,451
Granted	1,055	—	—
Granted in-lieu of dividends	2,408	231	5,140
Redeemed	(41,498)	—	—
Cancelled	—	—	(6,285)
Outstanding at June 30, 2016	256,221	25,797	570,306

¹ Performance share units 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, 2016.

8. Share-based compensation (continued):

b) Deferred, restricted and performance share units (continued):

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 at June 30, 2016 was \$13.4 million compared with the recorded liability of \$11.7 million. The difference between the fair value and the recorded liability of \$1.7 million will be recognized over the weighted average remaining vesting period of approximately 1.84 years.

For the three and six month periods ended June 30, 2016, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was a recovery of \$0.2 million (2015 - expense of \$3.7 million) and an expense of \$0.2 million (2015 - expense of \$6.4 million), respectively. This included a recovery of \$1.1 million (2015 - expense of \$0.4 million) and a recovery of \$1.8 million (2015 - recovery of \$0.3 million) related to the effect of the change in the Company's share price for the three and six month periods ended June 30, 2016.

9. Changes in non-cash working capital:

Changes in non-cash working capital for the three and six month periods ended June 30, 2016 and 2015 were as follows:

	Three Months Ended		Six Months Ended	
	Jun 30 2016	Jun 30 2015	Jun 30 2016	Jun 30 2015
Changes in non-cash working capital:				
Trade and other receivables	\$ (21,261)	\$ (116,128)	\$ 98,495	\$ (142,170)
Inventories	(7,281)	(29,699)	(472)	(9,267)
Prepaid expenses	(5,768)	3,439	(217)	8,830
Trade, other payables and accrued liabilities	12,688	47,109	(64,387)	312
	(21,622)	(95,279)	33,419	(142,295)
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	(10,012)	(61,558)	(32,648)	(53,541)
Changes in non-cash working capital having a cash effect	\$ (31,634)	\$ (156,837)	\$ 771	\$ (195,836)
These changes relate to the following activities:				
Operating	\$ (24,506)	\$ (110,781)	\$ (13,916)	\$ (154,192)
Financing	(5,689)	(6,381)	(11,154)	(7,835)
Investing	(1,439)	(39,675)	25,841	(33,809)
Changes in non-cash working capital	\$ (31,634)	\$ (156,837)	\$ 771	\$ (195,836)

10. 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.

10. Financial instruments (continued):

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. The Company designates as cash flow hedges derivative financial instruments to hedge its risk exposure to fluctuations in the euro compared to the U.S. dollar and derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices.

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 includes an adjustment 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 hedging relationship.

Natural gas forward contracts

The Company has elected to manage its exposure to changes in natural gas prices for the Geismar 2 facility by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast natural gas purchases in North America.

As at June 30, 2016, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of \$506 million (December 31, 2015 - \$517 million) and a negative fair value of \$38.8 million (December 31, 2015 - \$42.7 million) included in other long-term liabilities.

Euro forward exchange contracts

The Company manages its foreign currency exposure to the euro, that results due to sales denominated in euros, by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast euro collections.

As at June 30, 2016, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 46 million euros (December 31, 2015 - 35 million euros). The euro contracts had a negative fair value of \$0.1 million recorded in current liabilities at June 30, 2016 (December 31, 2015 - positive \$1.2 million recorded in current assets).

The table below shows net cash flows for derivative hedging instruments, 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 are held with investment-grade counterparties and therefore the settlement day risk exposure is considered to be negligible.

	Cash inflows (outflows) by term to maturity				Total
	1 year or less	1-3 years	3-5 years	More than 5 years	
Natural gas forward contracts	663	(5,987)	(11,763)	(29,409) \$	(46,496)
Euro forward exchange contracts	77	—	—	— \$	77

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.

10. Financial instruments (continued):

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

As at	June 30, 2016	
	Carrying Value	Fair Value
Long-term debt excluding deferred financing fees	\$ 1,567,850	\$ 1,482,602

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 disclosed on a recurring basis and categorized as Level 2 within the fair value hierarchy is estimated by reference to current market prices for debt securities with similar terms and characteristics. The fair value of the unsecured notes disclosed on a recurring basis and also categorized as Level 2 within the fair value hierarchy was estimated by reference to a limited number of small transactions in June 2016. The fair value of the Company's unsecured notes will fluctuate until maturity.

11. Argentina gas settlement:

During the quarter, we reached a settlement with Petrobras Argentina S.A. ("Petrobras") for \$32.5 million to terminate Petrobras' natural gas delivery obligations pursuant to a long-term natural gas supply agreement in Chile.

Methanex Corporation
Quarterly History (unaudited)

	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1
METHANOL SALES VOLUME								
<i>(thousands of tonnes)</i>								
Methanex-produced ¹	3,218	1,689	1,529	5,050	1,372	1,238	1,203	1,237
Purchased methanol	955	533	422	2,780	636	679	813	652
Commission sales ¹	308	140	168	641	178	169	109	185
	4,481	2,362	2,119	8,471	2,186	2,086	2,125	2,074
METHANOL PRODUCTION								
<i>(thousands of tonnes)</i>								
New Zealand	1,086	577	509	1,856	412	476	487	481
Geismar 1 and 2 (Louisiana, USA)	1,010	527	483	959	244	259	276	180
Atlas (Trinidad) (63.1% interest)	345	236	109	912	241	226	236	209
Titan (Trinidad)	385	181	204	732	191	172	183	186
Egypt (50% interest)	128	53	75	74	58	—	8	8
Medicine Hat (Canada)	282	123	159	456	155	123	51	127
Chile I and IV	173	73	100	204	88	3	40	73
	3,409	1,770	1,639	5,193	1,389	1,259	1,281	1,264
AVERAGE REALIZED METHANOL PRICE ²								
(\$/tonne)	227	223	230	322	277	323	350	337
(\$/gallon)	0.68	0.67	0.69	0.97	0.83	0.97	1.05	1.01
PER SHARE INFORMATION								
(\$ per common share attributable to Methanex shareholders)								
Adjusted net income (loss)	(0.62)	(0.34)	(0.27)	1.20	0.16	0.26	0.56	0.23
Basic net income (loss)	(0.29)	(0.03)	(0.26)	2.21	0.10	0.87	1.15	0.09
Diluted net income (loss)	(0.34)	(0.08)	(0.26)	2.01	0.10	0.54	1.15	0.09

¹ Methanex-produced methanol includes any volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement. Commission sales represent volume marketed on a commission basis related to the 36.9% of the Atlas methanol facility and 50% of the Egypt methanol facility that we do not own.

² Averagerealized 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 (attributable to Methanex shareholders) and purchased methanol, but excluding Tolling Volume.