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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission file Number 0-24216

IMAX CORPORATION  
(Exact name of registrant as specified in its charter)

CANADA 98-0140269  
(State or other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)

2525 SPEAKMAN DRIVE, MISSISSAUGA, L5K 1B1  
ONTARIO, CANADA (Postal Code)  
(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (905) 403-6500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class -----	Name of exchange on which registered -----
None	

Securities registered pursuant to Section 12(g) of the Act:

COMMON SHARES, NO PAR VALUE  
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The aggregate market value of the Common Shares of the registrant held by non-affiliates of the registrant, computed by reference to the last sale price of such shares as of the close of trading on March 11, 1998 was \$473,178,429 (17,364,346 common shares times \$27.25). As of March 11, 1998, there were 29,414,634 Common Shares of the registrant outstanding.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Annual Report on Form 10-K

DECEMBER 31, 1997

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EXCHANGE RATE DATA

Unless otherwise indicated, all dollar amounts in this document are expressed in United States dollars. The following table sets forth, for the periods indicated, certain exchange rates based on the noon buying rate in the City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"). Such rates quoted are the number of U.S. dollars per one Canadian dollar and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per U.S. \$1.00. The average exchange rate is based on the average of the exchange rates on the last day of each month during such periods. The Noon Buying Rate on December 31, 1997 was U.S. \$0.6999.

	Year ended December 31				
	1993	1994	1995	1996	1997
Exchange rate at end of period	U.S. \$0.7544	U.S. \$0.7134	U.S. \$0.7325	U.S. \$0.7301	U.S. \$0.6999
Average exchange rate during period.....	0.7751	0.7299	0.7312	0.7329	0.7220
High exchange rate during period.....	0.8046	0.7644	0.7533	0.7513	0.7471
Low exchange rate during period.....	0.7439	0.7098	0.7008	0.7235	0.6945

SPECIAL NOTE REGARDING FORWARD -LOOKING INFORMATION

Certain statements included herein may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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IMAX(R), IMAX(R) Dome, IMAX(R) Ridefilm/TM/, IMAX(R) Solido(R), OMNIMAX(R), IMAX(R) 3D, Personal Sound Environment(R), and The IMAX(R) Experience(TM) are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

PART I

Item 1. Business

GENERAL

Imax Corporation and its subsidiaries (the "Company") designs and manufactures projection and sound systems for giant-screen ("15/70-format") theaters based on proprietary and patented technology and is the largest producer and distributor of films for giant-screen theaters. The Company also designs and supplies custom attractions including motion simulation theaters for both large-scale attractions and smaller venues. The Company generally does not own IMAX theaters but leases its projection and sound systems and licenses the use of its trademarks. The IMAX brand name enjoys widespread recognition with more than 500 million viewers throughout the world having experienced the Company's high-quality, giant-screen theater attractions since 1970 including over 60 million viewers in 1997.

The Company has experienced substantial growth recently as a result of the increased demand for both IMAX theaters in commercial locations and IMAX 3D theater systems. In 1997, the Company signed agreements for 60 IMAX theater systems valued at \$132.3 million representing a 107% increase in the number and 48% increase in the value of theater systems signed versus the 29 theater systems valued at \$89.6 million signed during 1996. As a result of the record signings activity, the Company's sales backlog increased by a record \$43.6 million in 1997 to \$175.4 million (representing the value of contracts for 77 theater systems including three system upgrades), an increase of 33% versus \$131.8 million (representing the value of contracts for 45 theater systems) in 1996. In 1997, 88% of the Company's theater system signings were for commercial locations versus only 26% of the Company's existing theaters being in commercial locations. In 1997, 93% of the Company's theater signings were for IMAX 3D theater systems versus only 22% of the Company's existing theaters being IMAX 3D.

The IMAX system network is the most extensive giant-screen theater network in the world with 159 theaters operating in 22 countries and a backlog of 77 theater systems under signed contracts as of December 31, 1997. IMAX theater systems combine advanced high-resolution projection systems, sound systems and screens as large as eight stories high (approximately 80 feet) that extend to the edge of a viewer's peripheral vision to create highly realistic audio-visual experiences. As a result, audiences feel as if they are a part of the on-screen action in a way that is more intense and exciting than in traditional theaters. In addition, the Company's IMAX 3D theater systems combine the same projection and sound systems and up to eight story screens with 3D images that further increase the audience's feeling of immersion in the film. IMAX theater systems are often a featured attraction at high profile and prestigious locations such as the Smithsonian Institution, the Kennedy Space Center in Florida, Lincoln Square in New York, Port Vell in Barcelona, Spain, the Museum of Science and Industry in Chicago, the theater adjacent to Grand Canyon National Park and the Luxor Hotel and Casino in Las Vegas, Nevada. Additionally, IMAX theaters and films have been showcased by major entertainment companies such as Universal Studios, The Walt Disney Company and Caesars Palace, Inc.

The library of 15/70-format films available for IMAX theaters includes 133 films at the end of 1997, of which the Company has the distribution rights to 47 such films. 15-perforation, 70 mm ("15/70") is the size of the film frame used in IMAX projection systems and is the largest commercially available film size. By utilizing 15/70-format film, IMAX theaters can project images which are larger and clearer than other film formats. 15/70-format films cover a variety of entertaining and educational subjects, including space (The Dream Is Alive which was filmed from NASA's space shuttles and has grossed over \$140 million since its release in 1985), rock concerts (Rolling Stones "At the Max"), and historical events (Fires of Kuwait, which was nominated for an Academy Award(R)) as well as commercial films (Across the Sea of Time which was produced by Sony Corporation and The IMAX Nutcracker which was produced by the Company).

The Company also utilizes its proprietary and immersive sight, sound and motion technologies to create unique entertainment attractions including motion simulation theaters. The Company offers motion simulation theaters both for large-scale attractions through its IMAX Simulator Ride ("ISR") technology and for more compact venues through its IMAX Ridefilm technology.

The Company was formed in March 1994 as a result of an amalgamation between WGIM Acquisition Corp. and the former Imax Corporation ("Predecessor Imax"). Predecessor Imax was incorporated in 1967.

PRODUCT LINES

The Company is the largest designer and supplier of projection and sound systems and the largest producer and distributor of 15/70-format films for giant-screen theaters. Additionally, both directly and through Ridefilm Corporation, a wholly-owned subsidiary, the Company designs and manufactures motion simulation theaters and produces films for movie rides. The Company's theater systems include specialized projection equipment, advanced sound systems, specialty screens, theater automation control systems and film handling equipment. The Company's motion simulation theaters also include motion platforms and control systems. Currently, the Company derives substantially all of its revenues from giant-screen theaters and related film products and services.

GIANT-SCREEN THEATERS

The Company is the pioneer and leader in the giant-screen, large-format film industry. The IMAX theater system network has the largest installed base of giant-screen theater systems, with systems located in 159 theaters in 22 countries, and a backlog of 77 theater systems under signed contracts as of December 31, 1997. IMAX theaters have flat or dome shaped screens in 2D and 3D which are many times larger than conventional theaters, which extend to the edge of the viewer's peripheral vision. The theaters have a steeply inclined floor to provide all audience members a clear view of the screen and typically seat 300 to 500 people.

The Company's projection systems utilize the largest commercially available film format (70mm, 15-perforation film frame), which is 10 times larger than conventional film (35mm, 4-perforation film frame) and therefore are able to project significantly more detail on a larger screen. The Company believes its projectors, which utilize the Company's Rolling Loop technology, are unsurpassed in their ability to project film with maximum steadiness and clarity with minimal film wear, and substantially enhance the quality of the projected image. As a result, the Company's projection systems deliver a higher level of clarity, detail and brightness compared to conventional movies and competing systems.

To complement the film technology and viewing experience, IMAX theater systems feature unique digital sound systems. The sound systems are among the most advanced in the industry and help to heighten the sense of realism of a 15/70-format film. IMAX sound systems are specifically designed for IMAX theaters and are an important competitive advantage of IMAX systems.

The following chart shows the number of the Company's theater systems by product, installed base and backlog as of December 31, 1997:

PRODUCT	2D		Product	3D	
	Installed Base	Backlog(1)		Installed Base	Backlog(1)
Flat Screen..... IMAX	61	8	IMAX 3D	32	33
			IMAX 3D SR	--	30
Dome Screen..... IMAX Dome	63	6	IMAX Solido	3	--

(1) Backlog includes three upgrades of systems.

IMAX AND IMAX DOME SYSTEMS. IMAX and IMAX Dome systems make up the largest component of the Company's installed theater base. IMAX theaters, with a flat screen, were introduced in 1970, while IMAX Dome theaters, previously known as OMNIMAX theaters, are designed for tilted dome screens and were introduced in 1973. There have been several significant proprietary and patented enhancements to these systems since their introduction.

IMAX 3D SYSTEMS. IMAX 3D systems make up the largest component of the Company's backlog. IMAX 3D theaters utilize a flat screen 3D system which produces realistic three-dimensional images on a giant IMAX screen. The Company believes that the IMAX 3D system offers consumers one of the most realistic 3D experiences available today. To create the 3D effect, the audience uses either polarized glasses or electronic glasses that separate the left- and right-eye images. The electronic glasses use liquid crystal shutter lenses controlled by an infrared signal. Each lens "opens and closes" 48 times a second in synchronization with the projector to produce full color stereoscopic viewing. IMAX 3D systems represent an increasing portion of the Company's product mix. The IMAX 3D projectors can project both 2D and 3D films, allowing theater owners the flexibility to exhibit either type of film. The Company offers upgrades to existing theaters which have 2D IMAX projection systems to IMAX 3D projection systems. Since the introduction of IMAX 3D technology, the Company has upgraded nine theater systems and had two additional upgrades in backlog as of December 31, 1997.

In 1997, the Company launched a smaller IMAX 3D system called IMAX 3D SR; a patented theater system that combines a proprietary theater design, a more automated projection system and specialized sound system to replicate the experience of a larger IMAX 3D theater in a smaller space (up to 270 seats). The IMAX SR theater system is designed to be located primarily in multiplexes. The Company had 30 IMAX 3D SR systems in backlog at December 31, 1997.

IMAX SOLIDO SYSTEMS. IMAX Solido theaters comprise a dome screen 3D system that projects the film onto a tilted dome such that objects not only appear to "come out" from the screen but also to envelop the viewer. IMAX Solido projectors, like IMAX 3D projectors, can project both 2D and 3D films.

TEMPORARY THEATER SYSTEMS. The Company leases theater systems on a short-term basis for world fairs, expositions or similar events. The Company has leased theater systems for use at substantially all major world fairs since its inception.

#### THEATER SYSTEM LEASES

The Company's system leases generally have 10 to 20-year initial terms and, subject to certain conditions, are typically renewable by the customer for one or more additional ten-year terms. As part of the lease agreement, the Company advises the customer on theater design, custom assembles and supervises the installation of the theater system, provides training to theater personnel and ongoing maintenance to the system. Prospective theater owners are responsible for providing the theater location, the design and construction of the theater building and any other necessary improvements. Under the terms of the typical lease agreement, the title to all theater system equipment (including the projection screen, the projector and the sound system) remains with the Company. The Company has the right to remove the equipment for non-payment or other defaults by the customer. The Company has experienced a minimal default rate and has never removed a system for non-payment. The contracts are generally not cancelable by the customer unless the Company fails to perform its obligations. The contracts are generally denominated in U.S. dollars, except in Canada and Japan, where contracts are denominated in Canadian dollars and Japanese yen, respectively.

The typical lease agreement provides for three major sources of revenue: (i) upfront fees, (ii) ongoing royalty payments and (iii) ongoing maintenance fees. Royalty payments and maintenance fees are generally received over the life of the contract and are usually adjusted annually based on changes in the local consumer price index. The terms of each lease agreement vary according to the system technology provided and the geographic location of the customer.

The following is an overview of the theater system contract signings over the past five years:

	1993	1994	1995	1996	1997
Permanent systems signed (1).....	17	15	24	29	60
Temporary systems signed.....	--	4	--	--	--
Total systems signed.....	17	19	24	29	60
Value of systems signed (in millions) (2).....	\$32.1	\$46.0	\$64.6	\$89.6	\$132.3

- (1) Represents the number of the Company's theater systems which were the subject of sale or long-term lease agreements signed by the Company. The number of signings indicated for 1995, 1996 and 1997 include four, three and three theater system upgrades, respectively. The number of signings indicated for 1997 includes nine joint ventures and three wholly-owned theaters. For 1996, theater signings include three wholly-owned theaters.
- (2) Does not include the value of wholly-owned, partnership or joint venture theaters.

#### THEATER OPERATIONS AND INVESTMENTS

In 1997, the Company signed contracts for nine joint ventures and three wholly-owned theater locations. The Company has one wholly-owned and three joint venture theaters in which it has a 50% equity interest. As of December 31, 1997 the Company's sales backlog includes nine joint ventures and four wholly-owned theater locations.

In the case of joint ventures, the Company generally contributes the projection and sound system to the theater in exchange for a percentage of the theater revenues and/or profits. The Company's partner is generally responsible for constructing and outfitting the theater. The Company may also provide management services in return for a fee or a percentage of theater revenues as part of the joint venture.

#### ATTRACTIONS

The Company's attractions products utilize its proprietary and immersive sight, sound and motion technologies to create unique entertainment attractions. Currently the Company's primary attractions products are movie ride simulation theaters which combine high-resolution projectors, engaging films and digital sound technology with motion platforms to provide a unique entertainment experience. A typical movie ride lasts approximately four minutes and new movie rides can be shown by simply changing the film and the motion profile on the computer software.

**LARGE SCREEN MOTION SIMULATION THEATERS.** Large scale IMAX Simulator Rides or ISRs such as the Asteroid Adventure ride at Phantasialand in Bruhl, Germany, which seats 256 passengers, combine an IMAX Dome projection system with several multiple passenger vehicles. This design is similar to the design of Back To The Future(R) . . . The Ride which seats 192 passengers and features a 15/70-format film and IMAX Dome system. The Company entered into a joint venture with Caesars World (an ITT Corporation subsidiary) and jointly developed and co-owns Race For Atlantis, a 3D ISR in the Forum Shops at Caesars Palace in Las Vegas which seats 108 passengers and opened to the public in January 1998.

**IMAX RIDEFILM THEATERS.** IMAX Ridefilm theaters feature a compact, modular design which maintains the ride quality of large-scale ISRs in a smaller space allowing IMAX Ridefilm theaters to be located in smaller locations including shopping malls, casinos, and location-based entertainment centers. The IMAX Ridefilm theater design places a 180-degree spherically curved screen in front of, and partially around, an 18-passenger vehicle. The members of the audience have a large portion of their peripheral vision covered by the projected image and front-row passengers sit as close as six feet from the screen. This enhances the feeling of being in the movie as compared to competing simulation theaters which are typically configured as conventional movie theaters with flat or slightly curved screens located in front of rows of seats. As of December 31, 1997, the Company had delivered 26 IMAX Ridefilm systems and there was a backlog of 18 systems, including six upgrades.

## SOUND SYSTEMS

The Company, through its 51% owned subsidiary, Sonics Associates Inc. ("Sonics"), manufactures the sound systems for the Company's theaters. IMAX theaters feature six-channel 12,000 watt high-fidelity sound-systems with sub-bass which places full range speakers both in front of and behind the audience to provide a complete sound field with the ability to relate sounds to the action on and off the screen. The Company custom designs the loudspeaker system for each IMAX theater to eliminate variations in volume and sound quality over the theater seating area to ensure that the members of the audience experience superb sound quality regardless of where they are seated. The Company has developed a patented digital audio technology with advanced circuit design specifically to enhance sound clarity and depth of sound reproduction. Sonics is 51% owned by the Company and 49% owned by four executive officers of Sonics.

The Company and Sonics have developed a 3D "directional" sound technology marketed under the trade name and trademark Personal Sound Environment ("PSE") that can pinpoint sound placement so that sounds seem to be coming from a particular direction and distance. This technology allows the realistic reproduction of sounds such as a whisper over the listener's shoulder, a tennis match being played 30 feet away, or an oncoming car veering away from the listener at the last possible moment. The PSE system utilizes wireless headsets with small speakers located in front of the listener's ear. The PSE system has been installed in nine theaters.

## FILM PRODUCTION AND DISTRIBUTION

The library of 15/70-format films available for IMAX theaters consists of 133 films at the end of 1997 on subjects such as space, wildlife, music, history and natural wonders and commercial subjects. The Company has distribution rights to 47 such films. The majority of the 15/70-format films have been produced by third parties, including several award-winning filmmakers. There are currently more than twenty 15/70-format films in production, including one being produced by the Company, which are expected to be released over the next three years.

15/70-format films can make audiences feel as though they have been transported to places they have never been through the use of the largest, clearest film images available today. In addition to their entertainment appeal, 15/70-format films often seek to educate the audience. 15/70-format films are expected to be in distribution for five or more years, although many of the films in the library have remained popular for longer periods including the films *To Fly!* (1976), *Grand Canyon--The Hidden Secrets* (1984) and *The Dream Is Alive* (1985) which were all exhibited during 1997. In 1997 there were eight new films released in the 15/70-format. 15/70-format films have been filmed from the NASA space shuttles (*The Dream Is Alive*), documented rock concerts (Rolling Stones "*At the Max*"), examined natural wonders (*The Eruption of Mount St. Helens*), and recorded historic events (*Fires of Kuwait*, which was nominated for an Academy Award(R)).

**FILM PRODUCTION.** The Company produces films financed either internally or, partially or fully, financed by third parties. With respect to third party productions, the third party generally pays for all production costs in advance of the Company's expenditures. The Company generally receives a film production fee in exchange for producing the films and is appointed the exclusive distributor of the film. When the Company produces films, it typically hires production talent and specialists on a project-by-project basis, similar to a movie studio, allowing the Company to retain creative and quality control without the burden of significant ongoing overhead expenses. Typically, the ownership rights to films produced for third parties are held by the film sponsors, the film investors and the Company. In the case of films for IMAX Ridefilm theaters, the Company primarily finances these films internally.

David Keighley Productions 70MM Inc., a wholly-owned subsidiary of the Company, provides film post-production and quality control services for 15/70-format films (whether produced internally or externally).

**FILM DISTRIBUTION.** The Company generally distributes all the films produced by the Company and has acquired distribution rights to films produced by independent producers. The Company has distribution rights to more 15/70-format films than any competing distributor. As distributor, the Company generally receives a percentage of the



theater box office receipts. On a limited basis, the Company also markets video cassette and laser disk souvenir copies of its films both at theaters and through general retail chains.

**CAMERAS.** The Company rents 2D 15/70-format cameras and provides technical and post-production services to third party producers for a fee. The Company maintains 24 cameras and other film and lighting equipment to support third-party producers and also offers production advice and technical assistance to filmmakers.

The Company has developed a state-of-the-art patented dual filmstrip 3D camera; which is among the most advanced motion picture cameras in the world and is the only 3D camera of its kind. The IMAX 3D camera simultaneously shoots left- and right-eye images and its compact size allows filmmakers access to a variety of locations, such as underwater or aboard aircraft. The Company has two such cameras in its inventory and is manufacturing a third camera.

#### MARKETING AND CUSTOMERS

The Company has experienced an increase in the number of commercial theater signings since 1995. At December 31, 1997, the number of commercial theaters installed and in backlog had increased 70% over 1996 and the segment is now the largest with 41 theaters installed and 62 in backlog. The Company's institutional customers include science and natural history museums, zoos, aquaria and other educational and cultural centers. The Company also leases its systems to theme parks, tourist destination sites, fairs and expositions. For a breakdown of the installed theater base and backlog by market segment, geographic segment and product as of December 31, 1997, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company also markets IMAX attractions hardware and films, including motion simulation products, to theme parks, entertainment centers and other high traffic locations.

#### INDUSTRY AND COMPETITION

The Company faces competition in all of its business activities. There can be no assurance that the Company's existing products will continue to compete effectively. The commercial success of the Company's products is ultimately dependent upon consumer preferences. There can be no assurance that changes in consumer preferences will not make the Company's products less competitive.

The out-of-home entertainment industry in general is undergoing significant changes, primarily due to technological developments and changing consumer tastes. Numerous companies are developing new entertainment products for the out-of-home entertainment industry in response to these changes, and some of these new products are or may be directly competitive with the Company's products. Competitors may design products which are more attractive to the consumers and/or more cost effective than the Company's products and that may make the Company's products less competitive. There can be no assurance that the Company's existing products will continue to compete effectively and be attractive to consumers or that its products under development will ever be attractive to consumers or be competitive. The Company may also face competition from companies in the entertainment industry with substantially greater financial and other resources than the Company.

#### Large-Format Theater Industry

The Company competes with a number of manufacturers of large-format film projection systems; however, the IMAX theater network and the number of 15/70-format films to which the Company has distribution rights are substantially larger than those of its 15/70-format competitors. The Company's customers generally consider a number of criteria when selecting a large-format theater including quality, reputation, brand name recognition, type

of system, features, price and service. The Company believes that its competitive strengths include the value and increasing awareness of the IMAX brand name, the quality and historic up-time of IMAX theater systems, the number and quality of 15/70-format films that it distributes, the quality of the sound system included with the IMAX theater and the level of the Company's service and maintenance efforts.

#### MOTION SIMULATION INDUSTRY

The Company competes with a large number of manufacturers of motion simulation systems. The Company's IMAX Simulator Ride theater, which generally seats approximately 100 or more persons, competes primarily with other large scale attractions developed by theme parks. IMAX Ridefilm theaters compete primarily with other motion simulation companies. A number of the Company's competitors in the motion simulation industry have a larger number of existing theaters as well as a larger film library than the Company. The Company believes that IMAX Ridefilm theaters compete primarily on the quality of the entertainment experience and additionally, the Company believes that the IMAX brand name and reputation are important competitive advantages of the Company.

#### RESEARCH AND DEVELOPMENT

The Company has significant in-house proprietary expertise in projection system design and camera and sound system design, engineering and technology. In January 1997, the Company was awarded an Academy Award(R) for scientific and technical achievement by the Academy of Motion Picture Arts and Sciences. In addition, the Company has substantial proprietary knowledge in 15/70-format film production. As of December 31, 1997, 30 of the Company's employees were connected with research and development projects.

Several of the underlying technologies and resulting products and systems of the Company are covered by patents or patent applications. Other underlying technologies are available to competitors, in part because of the expiration of certain patents owned by the Company. The Company, however, has successfully obtained patent protection covering several of its significant improvements made to such technologies.

Including contributions by third parties, the Company (excluding its subsidiaries) has spent approximately \$11.8 million on research and development over the last five years, including approximately \$3.1 million, \$2.0 million and \$1.4 million in 1995, 1996 and 1997 respectively. In 1991, the Company received a multi-year grant from the Ontario Technology Fund of the Government of Ontario for research and development. The program is expected to cost approximately \$8.6 million over seven years, with the Ontario Technology Fund contributing approximately \$4.2 million. The Company historically has retained the rights to the intellectual property associated with new products and technologies developed under arrangements with third parties. The Company plans to continue to fund research and development activity in areas considered important to the Company's continued commercial success.

#### MANUFACTURING AND SERVICE

##### Imax Manufacturing

The Company assembles its giant-screen projection systems at its Corporate Headquarters and Technology Center in Mississauga, Ontario (near Toronto). A majority of the components for the Company's systems are purchased from outside vendors. The Company develops and designs all the key elements for the proprietary technology involved in its projector and camera systems. Fabrication of these components is then subcontracted to a group of carefully pre-qualified suppliers. Manufacture and supply contracts are signed for the delivery of components on an order-by-order basis. The Company has developed long-term relationships with a number of significant suppliers, and the Company believes its existing suppliers will continue to supply quality products in quantities sufficient to satisfy its needs. The Company inspects all components and sub-assemblies, completes the final assembly, and then subjects the systems to comprehensive testing prior to shipment. Since 1980, the IMAX theater systems have had an average in service time of over 99.8 %.

## SONICS MANUFACTURING

Sonics develops, designs and assembles the key elements of its theater sound systems. The standard IMAX theater sound system comprises components from a variety of sources with approximately 50% of the materials cost of each system attributable to proprietary components provided under OEM agreements with outside vendors. These proprietary components include custom loudspeaker enclosures and horns and specialized amplifiers, signal processing and control equipment. Major elements of the signal processing and control equipment are provided by a subsidiary of Sonics, Oxmoor Incorporated, which also fabricates professional audio electronics equipment for a variety of applications. The components for the complete sound system are assembled by Sonics at its facility in Birmingham, Alabama. Sonics also offers individual system customization for unique applications such as amusement park rides.

## SERVICE AND MAINTENANCE

The Company provides key services and support functions for the IMAX theater network and for filmmakers. To support the IMAX theater network, the Company has personnel stationed in major markets who provide periodic and emergency service and maintenance on existing systems throughout the world. The Company's personnel typically visit each theater every three months to service the projection systems. Sonics personnel visit each system annually to service the theater sound systems. The Company also provides theater design expertise for both the visual and audio aspects of the theater, as well as system installation and training.

## PATENTS AND TRADEMARKS

The Company's inventions cover various aspects of its proprietary technology and many of such inventions are protected by Letters Patent or applications filed throughout the world, most significantly in the United States, Canada, Japan, Korea, France, Germany and the United Kingdom. The subject matter covered by these patents and applications encompasses electronic circuitry and mechanisms employed in film projectors and projection systems (including 3D projection systems), a simulator theater system and the orthogonal motion base mechanism, and a method for synchronizing digital data systems. The Company has been diligent in the protection of its proprietary interests and is currently challenging what it believes to be illegal use by others of its patented proprietary technology. See Item 3--Legal Proceedings.

The Company and its subsidiaries currently holds 29 patents, has 13 patents pending in the United States and has corresponding patents or filed applications in many countries throughout the world. While the Company considers its patents to be important to the overall conduct of its business, it does not consider any particular patent essential to its operations. Certain of the Company's patents in the United States, Canada and Japan for improvements to the IMAX projector, IMAX Solido and PSE systems expire between 1998 and 2016.

The Company and its subsidiaries own or otherwise have rights to trademarks and trade names used in conjunction with the sale of their products, systems and services. The following trademarks are considered significant in terms of the current and contemplated operations of the Company: The IMAX(R) Experience(TM), IMAX(R), IMAX(R) Dome, IMAX(R) Solido(R), IMAX(R) 3D, Personal Sound Environment/ (R)/, OMNIMAX(R) and IMAX(R) Ridefilm(TM). These trademarks are protected by registration or common law widely throughout the world. The Company also owns the service mark IMAX THEATRE(TM). The Company vigorously enforces its trademarks and trade names against whomever it believes is infringing upon its rights.

## EMPLOYEES

As of December 31, 1997, the Company had 401 employees. The Company's employees are not represented by a labor union. The Company has never experienced an employee strike and believes that its employee relations are excellent.

ITEM 2. PROPERTIES

The Company's principal executive offices are located in Mississauga, Ontario. The Company's principal facilities are as follows:

LOCATION	OPERATION	OWN/LEASE	EXPIRATION
Mississauga, Ontario (1).....	Headquarters, Administrative, Assembly and Research and Development	Own	N/A
Birmingham, Alabama.....	Sound Systems Design and Assembly	Own	N/A
Culver City, California.....	Film Post Production	Lease	1998
Kempton, Germany.....	Sales and Marketing	Lease	1998
Los Angeles, California.....	Sales, Marketing and Administrative	Lease	2001
New York, New York.....	Administrative	Lease	2004
Singapore.....	Sales and Marketing	Lease	1999
Tokyo, Japan.....	Sales, Marketing, Maintenance and Theater Design	Lease	1998

(1) This property is subject to a collateral secured charge in favour of The Toronto-Dominion Bank in connection with the working capital facility.

ITEM 3. LEGAL PROCEEDINGS

In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Predecessor Imax was in negotiations with the plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The plaintiffs are claiming damages of Canadian \$4.6 million, representing the amount of profit they claim they were denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgement interest. The Company disputed this claim and filed a defense in response. Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian \$2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian \$2.5 million. The Company has disputed this claim and the suit went to trial in January 1998. The Court has reserved its decision which must be released within six months of the trial. Management is of the opinion that the ultimate loss, if any, will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

The Company filed a complaint in August 1994 in the U.S. District Court for the Northern District of California claiming that Neil Johnson, NJ Engineering Inc. and Cinema Technologies Inc. have misappropriated the Company's trade secrets in the design and manufacture of defendants' 70mm 15-perforation projection systems. The Company is seeking an injunction against Cinema Technologies Inc. to prevent shipment of projectors, which incorporate the Company's trade secrets in addition to damages. The defendant brought two motions for summary judgement, one of which was based on the defendant's statute of limitations defense and the other based on, among others, the defendant's contention that the trade secrets at issue were not trade secrets. The court denied the motion based on the statute of limitations defense, granted the motion based on the trade secret status issue, and entered a judgement for the defendants. The Company filed an appeal of this decision to the U.S. Court of Appeal for the Ninth Circuit. The appeal was heard in February, 1998. The Court has reserved its decision. Iwerks Entertainment, Inc. filed a complaint against the Company on February 26, 1996 in the U.S. District Court for the Central District of California alleging

violations under the Sherman Act, the Clayton Act, and tortious interference with contracts and prospective economic advantage. Iwerks Entertainment, Inc. is seeking unquantified damages, injunctive relief and restitution. The Company has filed an answer denying the material allegations of the complaint and intends to vigorously defend this action. The Company has filed a motion for summary judgement, which motion will be heard on April 6, 1998.

In July 1997, Debra B. Altman filed a claim against the Company, and certain unidentified individuals, in the Superior Court of the State of California for the County of Los Angeles, alleging breach of contract, breach of implied covenant of good faith and fair dealing, breach of implied-in-fact contract, breach of confidence, constructive fraud, quantum meruit, unjust enrichment and constructive trust with respect to a film project the plaintiff claims to have pursued with the Company. The Plaintiff is seeking unquantified damages exceeding \$5 million. The Company disputes this claim and has removed it to the U.S. District Court for the Central District of California, Western Division, and intends to vigorously defend this action. The trial is scheduled for July 1998. The amount of the loss, if any, cannot be determined at this time.

On March 5, 1998, Rosalini Film Productions Inc. filed a claim against the Company in the U.S. District Court for the Central District of California, alleging breach of written agreement, breach of implied covenant of good faith and fair dealing, fraud and deceit, negligent misrepresentation, unfair competition, unjust enrichment, quantum meruit, constructive trust and declaratory relief with respect to a film project the Plaintiff claims to have pursued with the Company. The Plaintiff is seeking unquantified damages. The Company disputes this claim and intends to vigorously defend this action. The amount of loss, if any, cannot be determined at this time.

In addition to the litigation described above, the Company is currently involved in other litigation which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such litigation.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the security holders during the quarter ended December 31, 1997.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Shares are listed for trading under the trading symbol "IMAXF" on the Nasdaq National Market System ("Nasdaq"). The Common Shares are also listed on The Toronto Stock Exchange ("TSE") under the trading symbol "IMX". The following table sets forth the range of high and low sales prices per share for the Common Shares on Nasdaq and the TSE, adjusted for the 2-for-1 stock split which became effective in May, 1997, for the periods indicated.

U.S. DOLLARS		
	HIGH	Low
<b>Nasdaq</b>		
Year ended December 31, 1997		
Fourth quarter.....	26.625	20.000
Third quarter.....	28.750	23.375
Second quarter.....	24.750	16.875
First quarter.....	18.000	15.125
Year ended December 31, 1996		
Fourth quarter.....	18.500	15.000
Third quarter.....	18.500	13.313
Second quarter.....	19.875	14.625
First quarter.....	15.938	11.125
CANADIAN DOLLARS		
	HIGH	Low
<b>TSE</b>		
Year ended December 31, 1997		
Fourth quarter.....	37.750	28.500
Third quarter.....	39.000	32.000
Second quarter.....	34.000	23.250
First quarter.....	25.000	20.500
Year ended December 31, 1996		
Fourth quarter.....	25.000	20.500
Third quarter.....	26.000	18.000
Second quarter.....	27.225	20.000
First quarter.....	22.188	15.000

As of December 31, 1997 the Company had 192 registered holders of record of the Company's Common Shares.

The Company has not paid within the last three fiscal years, and has no current plans to pay, dividends on its Common Shares. The payment of dividends by the Company is subject to certain restrictions under the terms of the Company's indebtedness (see note 8 to the consolidated financial statements in Item 8). The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

ITEM 6. SELECTED FINANCIAL DATA  
(in thousands of dollars, except per share data and systems data)

The selected financial data set forth below is derived from the consolidated financial statements of the Company and its subsidiaries and Predecessor Imax and its subsidiaries. The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The Company adopted the U.S. dollar as its reporting currency in 1995. Comparative figures have been restated as if the U.S. dollar had been the reporting currency in prior periods. Effective April 1, 1996, the Company adopted the U.S. dollar as its functional currency. This change in accounting policy was applied prospectively. All financial information referred to herein is expressed in U.S. dollars unless otherwise noted.

On March 1, 1994, WGIM Acquisition Corp. was amalgamated with Predecessor Imax to form the Company and merged the Trumbull Company, Inc. ("TCI") into a wholly-owned subsidiary of the Company to form Ridefilm Corporation (collectively referred to as the "Acquisitions"). The historical data of Predecessor Imax and the Company are not comparable in all respects. The Acquisitions have been accounted for as a purchase. Accounting for the Acquisitions has resulted in material differences in the basis of assets and liabilities between Predecessor Imax and the Company. The Company's results of operations have been affected by an increase in interest expense and amortization of fair value increments on assets acquired, intangibles and deferred financing costs.

	PREDECESSOR	The Company			
	Imax	Pro Forma	1995	1996	1997
	1993	1994 (1)			
	(UNAUDITED)				
<b>OPERATING STATEMENT DATA:</b>					
Revenue.....					
Systems.....	\$37,653	\$ 37,507	\$ 51,968	\$ 85,972	\$ 97,539
Films.....	29,454	30,885	28,835	28,367	39,683
Other.....	5,591	6,617	7,694	15,499	21,237
Total revenue.....	72,698	75,009	88,497	129,838	158,459
Costs and expenses (2).....	42,871	56,118	44,348	58,257	73,806
Gross margin.....	29,827	18,891	44,149	71,581	84,653
Selling, general and administrative expenses (3).....	14,503	21,972	25,925	29,495	32,115
Research and development (4).....	2,262	4,563	2,808	2,493	2,129
Amortization of intangibles.....	17	2,603	2,541	2,708	2,701
Earnings (loss) from operations.....	13,045	(10,247)	12,875	36,885	47,708
Interest income.....	173	1,794	3,377	5,797	5,604
Interest expense.....	(1,633)	(7,400)	(7,337)	(11,765)	(13,402)
Foreign exchange gain (loss).....	72	(538)	193	(337)	(623)
Earnings (loss) before taxes and minority interest.....	11,657	(16,391)	9,108	30,580	39,287
(Provision for) recovery of taxes.....	(5,223)	4,833	(5,458)	(13,579)	(17,265)
Earnings (loss) before minority interest.....	6,434	(11,558)	3,650	17,001	22,022
Minority interest.....	--	--	--	(1,593)	(1,357)
Net earnings (loss).....	\$ 6,434	\$(11,558)	\$ 3,650	\$ 15,408	\$ 20,665
Earnings (loss) per share (5)					
Basic.....	--	\$(0.42)	\$0.12	\$0.54	\$0.71
Diluted.....	--	(0.42)	\$0.11	\$0.50	\$0.68
<b>SYSTEMS AND OTHER DATA:</b>					
Total systems signed (6).....	17	19	24	29	60
Value of systems signed (in millions).....	\$32.1	\$46.0	\$64.6	\$89.6	\$132.3
New systems delivered (7).....	15	13	11	26	24
Total systems in operation.....	107	120	130	149	159
Total systems in sales backlog (8).....	31	36	44	45	77
Revenue in sales backlog (9).....	\$63,465	\$ 80,767	\$107,238	\$131,835	\$175,394

(1) The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 1994 gives effect to the issuance and sale of senior notes, the application of the net proceeds therefrom, the acquisition of Predecessor Imax and TCI, the equity conversions and the issuance of common shares (collectively "the Transactions") as if the transactions had occurred on January 1, 1994.

(2) The costs and expenses for the years ended December 31, 1994, 1995, 1996 and 1997 include \$9.3 million, \$2.5 million, \$1.9 million and \$1.4 million respectively, of charges for the amortization of purchase accounting adjustments.

(3) The selling, general and administrative expenses for the year ended December 31, 1994 include \$1.1 million of non-recurring charges as a result of the Transactions.

(4) The research and development expenses for the year ended December 31, 1994 include a non-recurring charge of \$2.4 million to reflect the write-off of purchased in-process research and development in connection with the acquisition of Ridefilm.



- (5) Earnings (loss) per share in the current and prior periods give retroactive effect to (a) the 2-for-1 stock split which became effective by May 27, 1997 and (b) the adoption of FASB Statement of Standards No. 128 which became effective by December 31, 1997.
- (6) Represents the number of theater systems which were the subject of sale or lease agreements and agreements for owned and operated theaters (including joint ventures) entered into by the Company in the years indicated. The number of signings indicated for 1995, 1996 and 1997 include four, three and three theater systems upgrades, respectively; 1996 signings include three wholly-owned theaters; 1997 signings include nine joint ventures and three wholly-owned theaters.
- (7) 1993, 1994, 1996 and 1997 systems deliveries include four, one, three and two systems upgrades, respectively.
- (8) 1995, 1996 and 1997 systems in backlog include four, four and three theater systems upgrades, respectively.
- (9) Represents the minimum revenue on signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. Does not include revenues from wholly-owned, partnership or joint venture theaters.

	PREDECESSOR IMAX TWO MONTHS ENDED February 28, 1994	The Company TEN MONTHS ENDED December 31, 1994
Operating Statement Data:		
Revenue		
Systems.....	\$ 1,454	\$ 35,927
Films.....	1,886	28,914
Other.....	800	5,810
	-----	-----
Total Revenue.....	4,140	70,651
Costs and expenses.....	3,169	52,788
	-----	-----
Gross margin.....	971	17,863
Selling, general and administrative expenses.....	2,245	19,690
Research and development.....	219	4,331
Amortization of intangibles.....	3	2,154
	-----	-----
Loss from operations.....	(1,496)	(8,312)
Interest income.....	19	1,767
Interest expense.....	(157)	(6,091)
Foreign exchange gain (loss).....	(161)	(675)
	-----	-----
Loss before taxes.....	(1,795)	(13,311)
Recovery of taxes.....	802	3,634
	-----	-----
Net loss.....	\$ (993)	\$ (9,677)
	=====	=====

Balance Sheet Data:	PREDECESSOR IMAX		The Company		
	1993	1994	1995	1996	1997
Cash, cash equivalents and marketable securities.....	\$ 4,004	\$ 56,949	\$ 50,747	\$120,688	\$ 90,530
Total assets.....	64,987	184,736	194,515	308,744	344,359
Total long-term indebtedness.....	14,535	70,294	70,810	167,023	165,000
Total shareholders' equity (deficit).....	(1,116)	52,926	57,486	54,841	81,117

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company derives revenue principally from long-term theater system lease agreements, maintenance agreements, film production agreements, from the distribution of films and from the sale of motion simulators and other attractions products.

THEATER SYSTEMS

The Company generally provides its theater systems on a long-term lease basis to customers with initial lease terms of typically 10 to 20 years. Lease agreements typically provide for three major sources of revenue: (i) upfront fees, (ii) ongoing royalty payments, and (iii) maintenance fees. The amount of upfront fees vary depending on the type of system and location and generally are paid to the Company in installments commencing upon the signing of the agreement and continuing through the delivery of the theater system. Ongoing royalty payments are paid monthly over the term of the contract, commencing after delivery. These payments are generally equal to the greater of a fixed minimum amount per annum and a percentage of box office receipts. An annual maintenance fee is generally payable commencing in the second year of theater operations. Both minimum royalty payments and maintenance fees are typically indexed to the local consumer price index.

SALES AND SALES-TYPE LEASES. Revenues from the Company's theater system sale agreements and from theater system lease agreements which transfer substantially all of the benefits and risks of ownership ("sales-type leases") are recognized on the completed contract method (that is, upon delivery of the system). Revenues recognized at the time of the theater system delivery consist of upfront fees and the present value of minimum royalties on sales-type leases over the initial term of the lease. For leases with initial terms greater than 10 years, the Company's practice is to reserve the revenue related to the present value of minimum royalties beyond the initial 10 years. The timing of theater system delivery is largely dependent on the timing of the construction of the customer's theater. Revenues recognized at the time of the theater system delivery generally are derived from contracts signed 18 to 24 months prior to the date of recognition. Such revenue is shown as sales backlog until it is recognized upon delivery. Therefore, revenue for theater systems is generally predictable on a long-term basis given the relationship to projected theater system deliveries. However, systems revenue in any given quarter may vary significantly depending on the nature and timing of the delivery of systems.

Cash receipts under upfront fees are generally received in advance of deliveries over the average of 12 to 24 months from initial contract signing to final delivery and are recorded as deferred revenue. The associated costs of manufacturing the theater system are recorded as inventory and systems under construction. Upon delivery, the deferred revenue and inventory costs are recognized in income.

Cash receipts under royalty payments are received after delivery. Typically, ongoing royalties are received over the 10 to 20 year life of the system agreements and under any renewal periods. The Company recognizes the present value of the minimum royalties on sales-type leases upon delivery of the theater system. The discounted minimum royalties are recorded on the Company's balance sheet as an increase in net investment in leases. For financial reporting purposes, the actual cash received for minimum royalties in each year are divided into two components representing both a repayment of the net investment in leases (which has no income effect but reduces net investment in leases) and finance income on the net investment in leases balance (which is recorded as royalty revenue as earned). In the event of default of payment of minimum contracted royalties, the Company may repossess the system and refurbish it for resale. Royalties in excess of minimums are recorded as revenue when due under the terms of the lease agreement.

**SALES BACKLOG.** Sales backlog represents the minimum revenues on signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. The minimum revenue comprises the upfront fees plus the present value of the minimum royalties due under sales-type lease agreements for the first ten years of the initial lease term. The value of sales backlog does not include revenues from wholly-owned partnership or joint venture theaters, letters of intent, IMAX Ridefilm system contracts, or long-term conditional theater commitments.

#### FILM PRODUCTION

Revenue from films produced for third parties is recognized when the film is completed and delivered to the sponsor. The associated production costs are deferred and charged against the associated revenue when the revenue is recognized. The completion of films for third parties depends upon the contracted delivery dates with film sponsors. Thus, both film revenues and film income in any given period will vary significantly depending upon the timing of the completion of films. Film revenues and film income typically will be particularly high in a year when the Company provides films for world's fairs. When the Company invests in films, costs incurred are deferred and shown on the balance sheet as film assets. Cash received from sales of the film in advance of delivery is shown as deferred revenue until the film is complete and delivered to the exhibitor. The film assets are amortized against revenues using the individual-film-forecast method in accordance with the Financial Accounting Standards Board Statement No. 53 ("FAS 53").

#### FILM DISTRIBUTION

Revenues from the distribution of films are recognized when films are exhibited by theaters. The cost of films are charged as expenses using the individual-film-forecast method in accordance with FAS 53. The individual-film-forecast method amortizes film costs (reflected on the balance sheet as film assets) in the same ratio that current gross revenues bear to anticipated total gross revenues. The cost of distribution of films are charged against the specific license to which they relate. Estimates of anticipated total gross revenues are reviewed quarterly by the Company and revised where necessary to reflect more current information.

#### RECURRING REVENUES

The Company's sources of revenue which are independent from the delivery of theater systems and the completion of films for third parties include: royalties not subject to minimums, royalties in excess of minimum royalties and finance income on sales-type leases (collectively shown as "royalty revenue"), maintenance fees on systems, film distribution fees, film post-production fees, revenue from Company-operated and joint venture theaters, and camera rentals. Royalty revenue, systems maintenance revenue and film distribution fees generally increase with the growth in the installed base of IMAX theaters. Film distribution revenue is also dependent on the acquisition of new film titles for distribution. Revenues from Company-owned and joint venture theaters are dependent on the Company developing further theaters which it owns or has a participating interest in the theater's revenue and/or profits. Revenues from post-production services are dependent on the number of theaters and the number of films in production. Camera rental revenue is dependent on the number of films in production.

The Company's recurring revenues have increased by 38% in 1997 to \$60.4 million from \$43.8 million in 1996 as royalties, maintenance fees, film distribution fees and post-production revenues have all increased primarily due to the growth in the IMAX theatre network.

## INTERNATIONAL OPERATIONS

A significant portion of the Company's sales are made to customers located outside of the United States and Canada, primarily in Europe and Japan. During 1995, 1996 and 1997 approximately 48.9%, 39.5% and 47.6% respectively, of the Company's revenues were derived from sales outside the United States and Canada. The Company expects that international operations will continue to account for a substantial portion of its revenues in the future. In order to minimize exposure to exchange rate risk, the Company prices theater systems (the largest component of revenues) in U.S. dollars except in Canada and Japan where they are priced in Canadian dollars and Japanese yen, respectively. Annual minimum royalty payments and maintenance fees follow a similar currency policy.

A substantial portion of the Company's revenues are denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar flows of the Company are converted to Canadian dollars to fund Canadian dollar expenses, either through the spot market or through forward contracts. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese yen flows are converted to U.S. dollars generally through forward contracts to minimize currency exposure. The Company also has cash receipts under leases denominated in French francs which are converted to U.S. dollars generally through forward contracts to minimize currency exposure.

## ACCOUNTING POLICIES

The Company reports its results under both United States generally accepted accounting principles ("U.S. GAAP") and Canadian generally accepted accounting principles. The financial statements and results referred to herein are reported under U.S. GAAP.

## RESULTS OF OPERATIONS

The following table sets forth the percentage of total revenue for each of the items set forth below:

	PREDECESSOR IMAX		The Company		
	1993	Pro Forma 1994 (1)	1995	1996	1997
	%	%	%	%	%
Revenue					
Systems.....	51.8	50.0	58.7	66.2	61.6
Films.....	40.5	41.2	32.6	21.9	25.0
Other.....	7.7	8.8	8.7	11.9	13.4
Total.....	100.0	100.0	100.0	100.0	100.0
Costs and expenses (2).....	59.0	74.8	50.1	44.9	46.6
Gross margin.....	41.0	25.2	49.9	55.1	53.4
Selling, general and administrative expenses.....	20.0	29.3	29.3	22.7	20.3
Research and development (3).....	3.1	6.1	3.2	1.9	1.3
Amortization of intangibles.....	--	3.5	2.9	2.1	1.7
Earnings (loss) from operations.....	17.9	(13.7)	14.5	28.4	30.1
Net earnings (loss).....	8.9	(15.4)	4.1	11.9	13.0

(1) See Note 1 to table in Item 6. Selected Financial Data.

(2) The costs and expenses include 12.4%, 2.8%, 1.4% and 0.9% of charges for the amortization of purchase accounting adjustments for the years ended December 31, 1994, 1995, 1996 and 1997 respectively, which are not reflected in the comparative results of Predecessor Imax.

(3) Research and development costs for the year ended December 31, 1994 include a non-recurring charge of 3.2% to reflect the write-off of purchased in-process research and development in connection with the acquisition of Ridefilm.

YEAR ENDED DECEMBER 31, 1997 VERSUS YEAR ENDED DECEMBER 31, 1996

In 1997 the Company had revenues of \$158.5 million and net earnings of \$20.7 million (\$0.68 per share on a diluted basis) compared to revenues of \$129.8 million and net earnings of \$15.4 million (\$0.50 per share on a diluted basis) in 1996. The increase in revenues of 22% is due to higher revenue in all three business segments. The substantial improvement in net earnings is principally due to higher systems revenue.

THEATER NETWORK AND SALES BACKLOG

The Company signed agreements for 60 theater systems in 1997 which represents future minimum revenues of \$132.3 million, a 107% increase in the number and a 48% increase in the value of permanent theater signings versus the 29 theater systems valued at \$89.6 million signed during 1996. During 1997, the Company established relationships with Cinemark USA Inc., Edwards Theaters Circuit, Empire Theaters, Krikorian Premiere Theaters, Marcus Theater Corporation and Regal Cinemas who contracted for a total of 36 IMAX theater systems. Approximately 93% of the Company's theater signings were for IMAX 3D systems compared to 75% in 1996. In addition, 88% of the Company's signings were for commercial locations versus 65% in 1996. As a result of the strong theater signings, the Company's sales backlog increased by \$43.6 million in 1997 to \$175.4 million, a 33% increase from \$131.8 million at December 31, 1996 and the largest dollar value increase in the Company's history.

The IMAX theater network increased to 159 theaters in operation at December 31, 1997 from 149 theaters at the beginning of the year. The following is a geographic, market and product breakdown of the IMAX theaters in operation and theaters in backlog at December 31, 1997:

	EXISTING THEATRES		Backlog(1)	
	THEATERS	%	Theaters	%
<b>Geographic:</b>				
United States.....	76	48%	54	73%
Europe.....	27	17	8	11
Japan.....	17	11	--	--
Canada.....	15	9	2	3
Asia (excluding Japan).....	11	7	4	5
Mexico.....	8	5	--	--
Australia.....	4	2	3	4
South Africa.....	1	1	1	1
Middle East.....	--	--	2	3
	---	---	--	---
Total.....	159	100%	74	100%
	===	===	==	===
<b>Market:</b>				
Science and Natural History.....	86	54%	12	16%
Commercial.....	41	26	62	84
Theme Parks.....	21	13	--	--
Destination Sites.....	5	3	--	--
Zoos and Aquaria.....	6	4	--	--
	---	---	--	---
Total.....	159	100%	74	100%
	===	===	==	===
<b>Product:</b>				
2D.....	124	78%	13	18%
3D.....	35	22	61	82
	---	---	--	---
Total.....	159	100%	74	100%
	===	===	==	===

(1) Backlog excludes two upgrades from IMAX to IMAX 3D and one replacement of a 2D system.

FILM LIBRARY

There were eight new films released in the 15/70-format in 1997, bringing the total number of available films to 133 at the end of the year. The Company has the distribution rights to 47 of those films. In 1997, the Company released three new films: Mission to Mir (2D), The IMAX Nutcracker (3D) and The Hidden Dimension (3D). In 1997, the Company completed two films for IMAX Ridefilm theaters and began production on one film which is scheduled to be completed in 1998.

The Company currently has one film in production, T.rex: Back To The Cretaceous, which will feature eight story high 3D digital dinosaurs and is scheduled for release in the fall of 1998, and nine films in development and pre-production. The Company also has a number of projects in development. As of December 31, 1997 there were more than 20 films in the 15/70-format in production, including the one being produced by the Company.

REVENUES

The Company's revenues in 1997 were \$158.5 million, compared to \$129.8 million in 1996, an increase of 22%. The following table sets forth the breakdown of revenue by category in thousands of dollars:

	1995	1996	1997
Systems Revenue			
Sales and leases.....	\$39,389	\$ 70,671	\$ 78,672
Royalties (1).....	6,009	7,949	10,285
Maintenance.....	6,570	7,352	8,582
	-----	-----	-----
	51,968	85,972	97,539
	-----	-----	-----
Film Revenue			
Production.....	8,601	8,298	6,459
Distribution.....	15,332	13,422	21,953
Post-production.....	4,902	6,647	11,271
	-----	-----	-----
	28,835	28,367	39,683
	-----	-----	-----
Other Revenue	7,694	15,499	21,237
	-----	-----	-----
	\$88,497	\$129,838	\$158,459
	=====	=====	=====

(1) Includes finance income.

SYSTEMS REVENUES. Systems revenue increased from \$86.0 million in 1996 to \$97.5 million in 1997, an increase of 13%. Revenue from sales and leases increased from \$70.7 million to \$78.7 million, an increase of 11%. The Company recognized revenues on the delivery of 24 theater systems under sales and sales-type leases in 1997 as compared to 26 theater systems in 1996. The theater systems deliveries in 1997 included two upgrades from IMAX to IMAX 3D compared to three upgrades in 1996. Royalty revenue and maintenance revenue increased 29% and 17%, respectively, over the prior year principally due to the increased number of theater systems in the network.

FILM REVENUES. Film revenues increased from \$28.4 million in 1996 to \$39.7 million in 1997. Film distribution revenues increased from \$13.4 million in 1996 to \$22.0 million in 1997, an increase of 64%. Film distribution revenues increased in 1997 over 1996 due to strong results of films which were released in the latter half of 1996 and in 1997 and also due to growth in the IMAX theater network. Film post-production activities generated revenues of \$11.3 million in 1997 versus \$6.6 million in 1996, an increase of 70%. The growth in revenues was due to an increase in the number of post-production projects, an increase in the number of prints released and extensions of related products and services.

OTHER REVENUES. Other revenues of \$21.2 million in 1997 represented an increase of 37% over 1996. The growth in other revenues is primarily due to the delivery of 15 IMAX Ridefilm systems in 1997 versus seven in 1996. Theater operations revenue also increased 17% in 1997 over 1996 due to the opening of a new joint venture theater at the end of 1996.

## GROSS MARGIN

Gross margin in 1997 was \$84.7 million versus \$71.6 million in 1996. Gross margin improved in 1997 over 1996 principally due to the higher average value of systems deliveries, increased royalty revenue and the increase in film revenues in 1997. The increase in the average value of systems deliveries increased in 1997 due to a higher number of IMAX 3D and international theater systems delivered compared to 1996. In 1997 gross margin as a percentage of revenue was 53.4 % versus 55.1% in 1996. The decline in gross margin as a percentage of total revenues in 1997 from 1996 was due to the higher proportion of film and other revenues which are generally lower margin revenue sources than systems revenue.

## OTHER

Selling, general and administrative expenses were \$32.1 million in 1997 versus \$29.5 million in 1996. The increase in selling, general and administrative costs in 1997 over 1996 resulted primarily from an increase in performance based compensation expenses, marketing, branding and affiliate relations initiatives and litigation costs, offset by a decrease in costs associated with the Company's Ridefilm division.

Research and development expenses were \$2.1 million in 1997 versus \$2.5 million in 1996. The Company's technical staff were engaged, earlier in 1997, in the design and production of the new IMAX 3D SR system and not in the typical research and development activities. Research and development expenses returned to historical levels in the latter half of 1997.

Interest expense included a full year's debt service in 1997 related to the 5 3/4 % of Convertible Subordinated Notes which were issued in April 1996 resulting in a \$1.6 million increase in interest expense in 1997 compared to the prior year.

The Company experienced a foreign exchange loss of \$0.6 million in 1997 compared to a loss of \$0.3 million in 1996. The foreign exchange loss in 1997 and 1996 resulted primarily from fluctuations in exchange rates on Canadian dollar, Japanese yen and French franc denominated cash balances and net investments leases.

The effective tax rate on earnings before tax differs from the statutory tax rate and will vary from year to year primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, manufacturing and processing profits deduction and the provision of income taxes at different rates in foreign and other provincial jurisdictions.

Minority interest expense of \$1.4 million and \$1.6 million in 1997 and 1996, respectively, represents a 49% minority interest in the earnings of the Company's subsidiary, Sonics Associates Inc.

YEAR ENDED DECEMBER 31, 1996 VERSUS YEAR ENDED DECEMBER 31, 1995

## REVENUES

The Company's revenues in 1996 were \$129.8 million compared to \$88.5 million in 1995, an increase of 47%.

Systems revenue increased from \$52.0 million in 1995 to \$86.0 million in 1996, an increase of 65%. Revenue from sales and leases increased from \$39.4 million to \$70.7 million, an increase of 79%. The Company recognized revenues on the delivery of 26 theater systems under sales and sales-type leases in 1996 as compared to 11 theater systems in 1995. The deliveries recognized in 1996 included three upgrades of theater systems from IMAX to IMAX 3D and one settlement of a canceled contract for a system for EXPO '96. In 1995, the Company recognized revenues on the settlement of three canceled contracts for systems for EXPO '96. Royalty revenue and maintenance revenue increased 32% and 12%, respectively, over the prior year principally due to the increased number of theater systems in the network.

Film revenues decreased from \$28.8 million in 1995 to \$28.4 million in 1996. Decreases in film production and film distribution revenue were partially offset by an increase in film post-production revenue. One film was produced and released in each of 1996 and 1995. Film production revenue in 1995 also included settlements reached on two films to be produced for sponsors at EXPO '96 that were canceled. Film distribution revenues were \$13.4 million in 1996 compared to \$15.3 million in 1995, a decrease of 13%. The decrease in revenue was principally due to the timing of release of new films later in the year in 1996. Film post-production activities generated revenues of \$6.6 million in 1996 versus \$4.9 million in 1995, an increase of 36%. The growth in revenues was due to an increase in the number of post-production projects, an increase in the number of prints released and extensions of related products and services.

Other revenues of \$15.5 million in 1996 represented an increase of 101% over 1995. The growth in other revenues was primarily due to the delivery of seven IMAX Ridefilm systems in 1996 versus two in 1995. Camera rentals also increased in 1996 over the prior year due to the greater number of films in production.

#### GROSS MARGIN

Gross margin in 1996 was \$71.6 million versus \$44.1 million in 1995. In 1996 gross margin as a percentage of sales was 55% versus 50% in 1995. Gross margin improved in 1996 over 1995 principally due to the higher number of systems deliveries and the higher proportion of systems revenue in 1996 (which is a higher margin revenue source than film and other revenues).

#### OTHER

Selling, general and administrative expenses were \$29.5 million in 1996 versus \$25.9 million in 1995. The increase in selling, general and administrative costs in 1996 over 1995 resulted primarily from an increase in marketing and sales efforts in response to growing demand, the establishment of the owned and operated theater business and litigation costs.

Research and development expenses were \$2.5 million in 1996 versus \$2.8 million in 1995. The decline in research and development expenses is the result of redirecting a portion of the Company's technical resources to capital projects.

Interest income and interest expense increased by \$2.4 million and \$4.4 million over the prior year due to the issuance of \$100 million of 5 3/4% Convertible Subordinated Notes in April 1996, a significant portion of the proceeds of which remained invested in cash and cash equivalents and marketable securities at year-end.

Due to the continued growth of the Company's business outside of Canada and the additional U.S. dollar denominated financing raised by the Company in April 1996, the Company adopted the U.S. dollar as its functional currency commencing April 1, 1996. The Company experienced a foreign exchange loss of \$0.3 million in 1996 principally due to fluctuations in the exchange rates on Japanese Yen and French Franc denominated cash balances and net investment in leases.



QUARTERLY RESULTS

The following table sets forth unaudited data regarding operations for each quarter of 1996 and 1997. The quarterly information has been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, contains all normal recurring adjustments necessary to fairly state the information set forth herein. The operating results for any quarter are not necessarily indicative of results for any future period.

	1996					1997				
	1ST Quarter	2ND Quarter	3RD Quarter	4TH Quarter	Year	1ST Quarter	2ND Quarter	3RD Quarter	4TH Quarter	Year
(in thousands of dollars except per share data)										
<b>Operating Data:</b>										
<b>Revenue</b>										
Systems.....	\$14,734	\$21,197	\$24,355	\$25,686	\$ 85,972	\$17,918	\$20,061	\$22,477	\$37,083	\$ 97,539
Films.....	10,844	4,890	5,907	6,726	28,637	12,299	10,648	10,521	6,215	39,683
Other.....	4,747	2,606	2,824	5,322	15,499	2,325	4,731	2,893	11,288	21,237
Total.....	30,325	28,693	33,086	37,734	129,838	32,542	35,440	35,891	54,586	158,459
Gross margin.....	14,071	17,412	19,098	21,000	71,581	17,877	17,714	20,333	28,729	84,653
Earnings from operations.....	6,499	9,011	10,719	10,656	36,885	9,377	9,441	12,201	16,689	47,708
Net earnings.....	2,944	3,318	4,244	4,902	15,408	3,698	4,148	5,485	7,334	20,665
<b>PER SHARE DATA (1):</b>										
<b>Net earnings</b>										
Basic.....	\$ 0.10	\$ 0.12	\$ 0.15	\$ 0.17	\$ 0.54	\$ 0.13	\$ 0.14	\$ 0.19	\$ 0.25	\$ 0.71
Diluted.....	\$ 0.09	\$ 0.11	\$ 0.14	\$ 0.16	\$ 0.50	\$ 0.12	\$ 0.14	\$ 0.18	\$ 0.24	\$ 0.68

(1) Retroactively adjusted for the 2-for-1 stock split which became effective by May, 1997 and the adoption of FASB Statement of Standards No. 128 which became effective by December 31, 1997.

The Company's operating results can fluctuate significantly from quarter to quarter. This fluctuation is due primarily to the timing of theater system deliveries, the mix of theater systems shipped, and the timing of recognition of revenues on film production agreements. The timing of theater system deliveries is largely dependent on the timing of the construction of the customer's theater. The completion of films produced for third parties depends upon the contracted delivery dates with the film sponsors. The associated costs and expenses follow the recognition of revenue. Other expenses vary less significantly and are influenced by the timing of marketing initiatives and research and development projects.

In 1997, revenues fluctuated by quarter largely due to the delivery of systems and films. In the fourth quarter of 1997, the Company recorded \$54.6 million of revenue (34% of full-year revenue) due to the delivery of 10 IMAX theater systems and ten IMAX Ridefilm systems. Gross margin fluctuated significantly by quarter due to both the fluctuation in revenue and also the different revenue mix between systems, film and other. Earnings from operations varied by quarter due to the fluctuation in gross margin and were impacted by other expenses, which were proportionately higher in the last quarter due to performance based compensation expenses, litigation costs and marketing and affiliation relations initiatives.

In 1996, revenues also fluctuated by quarter largely due to the timing of delivery of systems and films. Systems revenue in the first quarter of 1996 was \$14.7 million with only three deliveries due to higher average contract value of deliveries in the quarter versus other quarters in 1996 and the settlement of one canceled system contract for EXPO '96. Film revenue in the first quarter included the completion of one film, L5: First City In Space. Other revenue was comparatively higher in the first and fourth quarters of 1996 due to the recognition of revenue from the delivery of three and four IMAX Ridefilm systems, respectively. Gross margin fluctuated significantly by quarter both due to the fluctuation in revenue and also the different revenue mix between systems, film and other. Earnings from operations fluctuated significantly by quarter due to the fluctuation in gross margin and, in the last quarter, were impacted by higher selling, general and administrative expenses.

The Company expects quarterly results to continue to fluctuate in the future.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, the Company's principal source of liquidity included cash and cash equivalents of \$64.1 million, trade accounts receivable of \$32.4 million, net investments in leases of \$6.0 million due within one year, marketable securities of \$26.5 million and the amounts receivable under contracts in backlog which are not yet reflected on the balance sheet.

In addition, the Company is party to an agreement with The Toronto-Dominion Bank with respect to a working capital facility. The Bank has made available to the Company a revolving loan in an aggregate amount up to Canadian \$10 million or its U.S. dollar equivalent based on accounts receivable balances and levels of minimum contractual royalty payments. Loans made under the working capital facility bear interest at the prime rate of interest plus 1/4% per annum for Canadian dollar denominated loans and, for U.S. dollar denominated loans, at the U.S. base rate of interest established by the Bank plus 1/4%. These loans are repayable upon demand. At December 31, 1997, \$6.3 million was available for use under this facility.

The Senior Notes due March 1, 2001 are subject to redemption by the Company, in whole or in part, at any time on or after March 1, 1998 at redemption prices expressed as percentages of the principal amount (1998 104.29%; 1999 102.86%; 2000 101.43%) together with interest accrued thereon to the redemption date. Subject to market conditions, the Company may elect to redeem some or all of the Senior Notes prior to their maturity as part of a refinancing of its capital structure.

In April 1996, the Company completed a private placement of a \$100 million offering of 5 3/4% Convertible Subordinated Notes (the "Subordinated Notes") due 2003. These Notes are convertible into common shares of the Company at the option of the holder at a conversion price of \$21.406 per share (equivalent to a conversion rate of 46.7154 shares per \$1,000 principal amount of Notes) at any time prior to maturity. The Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (1999 103.286%; 2000 102.464%; 2001 101.643%; 2002 100.821%) plus accrued interest. The Subordinated Notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than \$30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

The Company partially funds its operations through cash flow from operations. Under the terms of the Company's typical theater system lease agreement, the Company receives substantial cash payments before it completes the performance of its obligations. Similarly, the Company typically receives cash payments for film productions in advance of related cash expenditures. These cash flows have generally been adequate to finance the ongoing operations of the Company.

Cash provided by operating activities amounted to \$11.6 million for the year ended December 31, 1997 after the payment of \$11.4 million of interest, \$5.1 million of income taxes and working capital requirements. Working capital requirements included an increase of \$15.1 million in accounts receivable, primarily related to an increase in upfront fees billed in connection with the higher signings activity and the growth in the number of systems in backlog, and an increase of \$18.7 million in net investment in leases due to the theater systems delivered under sales-type leases in 1997. Cash used in investing activities in 1997 amounted to \$53.5 million. Of this amount, \$28.1 million was invested in film assets, principally The IMAX Nutcracker, T.rex: Back To The Cretaceous, The Hidden Dimension and the IMAX Ridefilm film library, \$12.7 million was invested in capital assets, \$8.3 million was invested in marketable securities and \$4.5 million was invested in other assets, principally investments in a joint ventured theater, IMAX Attractions and IMAX Ridefilm operations. Cash provided by financing activities included proceeds of \$5.8 million from the issuance of common shares pursuant to the Company's stock option plan and repayment of the Company's long-term debt totaling \$2.3 million.

Cash provided by operating activities amounted to \$26.8 million for the year ended December 31, 1996 after the payment of \$7.9 million of interest, \$2.4 million of income taxes, and working capital requirements. Working capital requirements in 1996 included an increase of \$15.5 million in net investment in leases due to the increased number of theater systems deliveries under sale-type lease contracts and a \$3.8 million increase in inventories due to manufacturing activity related to systems in backlog scheduled for delivery in 1997 and IMAX Ridefilm systems. The increase in accounts receivable in 1996 was offset by a similar increase in accounts payable and accrued liabilities. Cash used in investing activities in 1996 was \$48.5 million. Of this amount, \$15.5 million was used to acquire capital assets, principally camera assets, motion simulation equipment and the Company's investment in an owned and operated theater, \$14.8 million was invested in film assets and \$18.2 million was invested in marketable securities.

The Company believes that cash flow from operations together with existing cash balances and the working capital facility will be sufficient to meet cash requirements of its existing level of operations for the foreseeable future.

#### IMPACT OF YEAR 2000

The Company has assessed, and continues to assess, the impact of the Year 2000 issue on its operations, including the development of preliminary cost estimates for and the extent of computer systems changes required to address this issue. The Company has decided to replace its key manufacturing and financial software systems and believes that with conversions to new software, the Year 2000 issue will not pose significant operational problems for its computer systems. Although final cost estimates have yet to be determined, it is expected that modifying or replacing these systems will not have a material effect on the Company's financial position or its results of operations in 1998 and 1999.

The impact of Year 2000 issues on the Company will also be affected by the Year 2000 readiness of its customers as well as of its suppliers of raw materials, components and software and its providers of facilities, equipment and services and any failure on their part to achieve readiness in their own operations or with respect to the items they supply or otherwise provide to the Company. While the Company is beginning to consider what inquiries might be appropriate to make of such other parties (principally of its suppliers and other providers) in these regards, there can be no assurance that the Year 2000 issues confronting such other parties and any failure on their part to timely address them will not have a material adverse effect on the Company.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements are filed as part of this Report.

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AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Imax Corporation as at December 31, 1997 and 1996 and the consolidated statements of operations, shareholders' equity and cash flow for each year in the three-year period ended December 31, 1997. These 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 conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and cash flows for each year in the three-year period ended December 31, 1997 in accordance with United States generally accepted accounting principles.

/s/ Coopers & Lybrand  
Chartered Accountants  
Toronto, Ontario  
February 10, 1998  
(Except for Note 19 which is at March 5, 1998)

IMAX CORPORATION

CONSOLIDATED BALANCE SHEETS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars)

	As at December 31,	
	1997	1996
	-----	-----
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 64,069	\$102,589
Short-term marketable securities	10,184	-
Accounts receivable	32,401	17,995
Current portion of net investment in leases (note 3)	6,007	4,218
Inventories and systems under construction (note 4)	21,922	21,292
Prepaid expenses	2,474	2,109
	-----	-----
Total current assets	137,057	148,203
Long-term marketable securities	16,277	18,099
Net investment in leases (note 3)	51,825	34,494
Film assets (note 5)	42,036	19,050
Capital assets (note 6)	41,360	34,153
Goodwill (note 6)	43,915	46,454
Other assets (note 7)	11,889	8,291
	-----	-----
Total assets	\$344,359	\$308,744
	=====	=====
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,129	\$ 4,530
Accrued liabilities	24,220	16,677
Current portion of deferred revenue	29,067	40,485
Current portion of long-term debt	-	1,156
Income taxes payable	318	2,213
	-----	-----
Total current liabilities	60,734	65,061
Deferred revenue	13,618	14,117
Long-term debt	-	1,178
Senior notes (note 8)	65,000	64,689
Convertible subordinated notes (note 9)	100,000	100,000
Deferred income taxes (note 13)	19,596	6,081
	-----	-----
Total liabilities	258,948	251,126
	-----	-----
Minority interest	2,950	1,593
	-----	-----
Redeemable preferred shares (note 10)	1,344	1,184
	-----	-----
Commitments and contingencies (notes 11, 16, 17 and 19)		
Shareholders' equity		
Capital stock (note 10)	52,604	46,810
Retained earnings	28,642	8,307
Cumulative translation adjustment	(129)	(276)
	-----	-----
Total shareholders' equity	81,117	54,841
	-----	-----
Total liabilities and shareholders' equity	\$344,359	\$308,744
	=====	=====

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars, except per share data)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	-----	-----	-----
Revenue			
Systems	\$ 97,539	\$ 85,972	\$51,968
Films	39,683	28,367	28,835
Other	21,237	15,499	7,694
	-----	-----	-----
	158,459	129,838	88,497
Costs and expenses	73,806	58,257	44,348
	-----	-----	-----
Gross margin	84,653	71,581	44,149
Selling, general and administrative expenses	32,115	29,495	25,925
Research and development	2,129	2,493	2,808
Amortization of intangibles	2,701	2,708	2,541
	-----	-----	-----
Earnings from operations	47,708	36,885	12,875
Interest income	5,604	5,797	3,377
Interest expense	(13,402)	(11,765)	(7,337)
Foreign exchange (loss) gain	(623)	(337)	193
	-----	-----	-----
Earnings before income taxes and minority interest	39,287	30,580	9,108
Provision for income taxes (note 13)	(17,265)	(13,579)	(5,458)
	-----	-----	-----
Earnings before minority interest	22,022	17,001	3,650
Minority interest	(1,357)	(1,593)	-
	-----	-----	-----
Net earnings	\$ 20,665	\$ 15,408	\$ 3,650
	=====	=====	=====
Earnings per share (note 10)			
Basic	\$0.71	\$0.54	\$0.12
Diluted	\$0.68	\$0.50	\$0.11

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars)

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	-----	-----	-----
Cash provided by (used in):			
<b>OPERATING ACTIVITIES</b>			
Net earnings	\$ 20,665	\$ 15,408	\$ 3,650
Items not involving cash:			
Depreciation and amortization (note 14)	15,075	12,685	13,565
Deferred income taxes	14,015	8,961	3,817
Minority interest	1,357	1,593	-
Amortization of discount on senior notes	311	1,863	1,743
Other	259	145	381
Changes in deferred revenue on film production	(5,840)	3,331	(4,499)
Changes in other operating assets and liabilities (note 14)	(34,254)	(17,211)	(14,706)
	-----	-----	-----
Net cash provided by operating activities	11,588	26,775	3,951
	-----	-----	-----
<b>Investing Activities</b>			
Increase in marketable securities	(8,250)	(18,164)	-
Increase in film assets	(28,056)	(14,822)	(3,673)
Purchase of capital assets	(12,654)	(11,905)	(4,968)
Increase in other assets	(4,502)	(3,638)	-
	-----	-----	-----
Net cash used in investing activities	(53,462)	(48,529)	(8,641)
	-----	-----	-----
<b>Financing Activities</b>			
Repayment of long-term debt	(2,326)	(729)	(1,266)
Repurchase of senior notes	-	(4,919)	-
Issue of convertible subordinated notes	-	100,000	-
Deferred charges on debt financing	-	(3,301)	-
Common shares issued	5,758	2,038	18
Common shares and warrants repurchased	-	(19,508)	(84)
	-----	-----	-----
Net cash provided by (used in) financing activities	3,432	73,581	(1,332)
	-----	-----	-----
Effect of exchange rate changes on cash	(78)	15	(180)
	-----	-----	-----
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	(38,520)	51,842	(6,202)
Cash and cash equivalents, beginning of year	102,589	50,747	56,949
	-----	-----	-----
Cash and cash equivalents, end of year	\$ 64,069	\$102,589	\$ 50,747
	=====	=====	=====

(the accompanying notes are an integral part of these consolidated financial statements)

IMAX CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
 (In thousands of U.S. dollars)

	Number of Common Shares Issued and Outstanding	Capital Stock	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total Shareholders' Equity
Balance at December 31, 1994	28,173,856	\$ 63,759	\$(10,148)	\$ (685)	\$ 52,926
Issuance of common stock	7,402	18	-	-	18
Common stock acquired and canceled	(28,000)	(84)	-	-	(84)
Accrual of stock compensation benefit	-	353	-	-	353
Accrual of preferred dividends	-	-	(169)	-	(169)
Accretion of discount on preferred shares	-	-	(125)	-	(125)
Net earnings	-	-	3,650	-	3,650
Foreign currency translation adjustments	-	-	-	917	917
Balance at December 31, 1995	28,153,258	64,046	(6,792)	232	57,486
Issuance of common stock	391,960	2,038	-	-	2,038
Common shares and warrants repurchased	(660,000)	(19,508)	-	-	(19,508)
Accrual of stock compensation benefit	-	234	-	-	234
Accrual of preferred dividends	-	-	(169)	-	(169)
Accretion of discount on preferred shares	-	-	(140)	-	(140)
Net earnings	-	-	15,408	-	15,408
Foreign currency translation adjustments	-	-	-	(508)	(508)
Balance at December 31, 1996	27,885,218	46,810	8,307	(276)	54,841
Issuance of common stock	1,230,200	5,758	-	-	5,758
Accrual of stock compensation benefit	-	36	-	-	36
Accrual of preferred dividends	-	-	(170)	-	(170)
Accretion of discount of preferred shares	-	-	(160)	-	(160)
Net earnings	-	-	20,665	-	20,665
Foreign currency translation adjustments	-	-	-	147	147
Balance at December 31, 1997	29,115,418	\$ 52,604	\$ 28,642	\$(129)	\$ 81,117

(the accompanying notes are an integral part of these consolidated financial statements)



IMAX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

For the years ended December 31, 1997, 1996 and 1995.

1. DESCRIPTION OF THE BUSINESS

Imax Corporation provides a wide range of products and services to the network of IMAX theaters. The principal activities of the Company are:

- the design, manufacture and marketing of proprietary projection and sound systems for IMAX theaters;
- the development, production and distribution of films shown in the IMAX theater network;
- the design and supply of IMAX attractions hardware and films including motion simulation products; and
- the provision of other services to the IMAX theater network including designing and manufacturing IMAX camera equipment for rental to filmmakers, providing film post-production image quality assurance and providing ongoing maintenance services for the IMAX projection and sound systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the recoverability of film assets, capital assets, goodwill and the measurement of contingencies. Actual results could be materially different from these estimates. Significant accounting policies are summarized as follows:

(a) BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries.

(b) INVESTMENTS

Investments in marketable securities categorized as available-for-sale securities are carried at fair value with unrealized gains or losses included in a separate component of shareholders' equity. Investments in marketable securities categorized as held-to-maturity securities are carried at amortized cost.

Investments in joint ventures are accounted for by the equity method of accounting under which consolidated net earnings include the Company's share of earnings or losses of the investees. The carrying values of the investments are adjusted for the Company's share of undistributed income or losses since acquisition and dividends received are recorded as a reduction in the investments. Writedowns are only made for declines in value which are other than temporary.

(c) INVENTORIES

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Finished goods and work-in-process include the cost of raw materials, direct labor and manufacturing overhead costs.

IMAX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(continued)  
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

For the years ended December 31, 1997, 1996 and 1995.

(d) FILM ASSETS

Film assets represent costs incurred in producing and distributing films net of accumulated amortization. The film costs are charged as expenses using the individual-film forecast method as prescribed by Statement of Financial Accounting Standards No. 53 whereby film costs are amortized in the same ratio that current gross revenues bear to anticipated total gross revenues. Estimates of anticipated total gross revenues are reviewed quarterly by management and revised where necessary to reflect more current information.

The recoverability of film costs is dependent upon commercial acceptance of the films. Any capitalized costs of a film that are determined to be unrecoverable are charged to operations in the period that determination is made.

(e) CAPITAL ASSETS

Capital assets are stated at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Projection equipment	-- 10 to 15 years
Motion simulation equipment	-- 5 years
Camera equipment	-- 5 to 10 years
Buildings	-- 20 to 25 years
Office and production equipment	-- 3 to 5 years
Leasehold improvements	-- Over the term of the underlying leases

(f) GOODWILL

Goodwill represents the excess purchase price of acquired businesses over the fair value of net assets acquired. Goodwill is amortized on a straight-line basis over its estimated life ranging from 10 to 25 years. The carrying value of goodwill is periodically reviewed by the Company and impairments are recognized in earnings when the expected future operating cash flows derived from the acquired businesses are less than the carrying value.

(g) DEFERRED REVENUE

Deferred revenue comprises receipts under systems sales and lease contracts, film production contracts and film exhibition contracts not yet recognized as revenue. The current portion of deferred revenue represents the estimated amount to be recognized in earnings during the following 12 month period.

(h) INCOME TAXES

Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs.

IMAX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(continued)  
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(i) REVENUE AND COST RECOGNITION

Sales and sales-type leases

Revenues from theater system sales and leases which transfer substantially all of the benefits and risks of ownership to the customer ("sales-type leases") are recognized on the completed contract method (that is upon delivery of the system). Revenues include initial advance payments and contracted minimum rental payments discounted to their present value.

Cash receipts under initial advance payments are generally received in advance of deliveries and are recorded as deferred revenue. The associated costs are recorded as inventories and systems under construction. Upon delivery of the theater system, the deferred revenue and deferred costs, net of residual value at the end of the lease term, are recognized in earnings.

The Company recognizes the present value of the minimum rentals on sales-type leases upon delivery of the theater system. Cash receipts under minimum rental payments are received after delivery. Typically, ongoing rentals are received over the life of the system agreement and under any renewal periods. In the event of default of payment of minimum contracted rentals, the Company may repossess the system and refurbish it for resale. Royalties in excess of minimum rentals are recorded as revenue when due under the terms of the lease agreement.

Operating leases

Revenues from leases which do not transfer substantially all of the benefits and risks of ownership to the customer are treated as operating leases where revenues and direct expenses are recognized over the term of the lease and costs of leased assets are amortized over their estimated useful lives.

Film production revenues

Revenues from films produced for third parties are recognized when the film is completed and delivered to the sponsor. The associated production costs are deferred and subsequently charged to earnings when the film is delivered and the revenue is recognized.

(j) RESEARCH AND DEVELOPMENT

Research and development expenditures are expensed as incurred.

(k) FOREIGN CURRENCY TRANSLATION

Effective April 1, 1996, the U.S. dollar was adopted as the Company's functional currency as a result of the continued growth of the Company's business outside of Canada and the additional U.S. dollar denominated financing raised by the Company in April 1996. Monetary assets and liabilities of the Company's operations which are denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the exchange rates prevailing at year end. Non-monetary items are translated at historical exchange rates. Revenue and expense transactions are translated at exchange rates prevalent at the transaction date. All exchange gains and losses are included in the determination of net earnings in the period in which they arise.

(l) STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, became effective for the Company for the year ended December 31, 1996. This statement allows enterprises to continue to measure compensation cost for employee stock option plans using the methodology currently prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees. The Company elected to remain with the accounting in Opinion No. 25 and has made pro forma disclosures of net earnings and earnings per share in Note 10 as if the methodology prescribed by Statement No. 123 had been adopted.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(continued)  
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3. NET INVESTMENT IN LEASES AND LEASE PAYMENTS RECEIVABLE

The Company enters into sales-type leases which have initial advance payments and annual rental payments with contracted minimums which are generally indexed with inflation. The Company's net investment in sales-type leases comprises:

	1997	1996
	-----	-----
Total minimum lease payments receivable	\$109,036	\$ 58,638
Residual value of equipment	3,157	2,081
Unearned finance income	(51,014)	(21,560)
	-----	-----
Present value of minimum lease payments receivable	61,179	39,159
Valuation allowance	(3,347)	(447)
	-----	-----
	57,832	38,712
Less current portion	6,007	4,218
	-----	-----
	\$ 51,825	\$ 34,494
	=====	=====

Income recognized on systems from annual rental payments comprised the following:

	1997	1996	1995
	-----	-----	-----
Minimum rental payments on operating leases	\$ 1,273	\$1,178	\$1,230
Contingent rentals	4,971	3,892	2,982
Finance income	4,041	2,878	1,797
	-----	-----	-----
Total	\$10,285	\$7,948	\$6,009
	=====	=====	=====

The estimated amount of minimum rental payments receivable from all signed leases, excluding those in sales backlog at December 31, 1997, for each of the next five years is as follows:

1998	\$7,826
1999	8,693
2000	9,270
2001	9,599
2002	9,897

4. INVENTORIES AND SYSTEMS UNDER CONSTRUCTION

	1997	1996
	-----	-----
Raw materials	\$ 6,943	\$ 4,840
Work-in-process	14,508	15,008
Finished goods	471	417
Acquired contracts in process	-	1,027
	-----	-----
	\$ 21,922	\$21,292
	=====	=====

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5. FILM ASSETS

	1997	1996
Completed films, net of amortization	\$30,396	\$12,730
Films in production	11,313	5,699
Acquired film rights, net of amortization	327	621
	-----	-----
	\$42,036	\$19,050
	=====	=====

6. CAPITAL ASSETS

	1997		
	COST	Accumulated depreciation	NET BOOK VALUE
Equipment held for lease			
Projection equipment	\$ 9,964	\$ 4,052	\$ 5,912
Motion simulation equipment	3,403	1,090	2,313
Camera equipment	9,466	2,440	7,026
	-----	-----	-----
	22,833	7,582	15,251
	-----	-----	-----
Assets under construction	3,634	-	3,634
	-----	-----	-----
Other capital assets			
Land	2,431	-	2,431
Buildings	14,557	1,793	12,764
Office and production equipment	14,297	7,150	7,147
Leasehold improvements	398	265	133
	-----	-----	-----
	31,683	9,208	22,475
	-----	-----	-----
	\$58,150	\$16,790	\$41,360
	=====	=====	=====
	1996		
	COST	Accumulated depreciation	NET BOOK VALUE
Equipment held for lease			
Projection equipment	\$11,305	\$ 3,859	\$ 7,446
Motion simulation equipment	3,378	414	2,964
Camera equipment	7,239	1,739	5,500
	-----	-----	-----
	21,922	6,012	15,910
	-----	-----	-----
Other capital assets			
Land	2,431	-	2,431
Buildings	11,500	1,331	10,169
Office and production equipment	9,911	4,351	5,560
Leasehold improvements	314	231	83
	-----	-----	-----
	24,156	5,913	18,243
	-----	-----	-----
	\$46,078	\$11,925	\$34,153
	=====	=====	=====

The accumulated amortization of goodwill was \$ 9,869,000 and \$7,330,000 at December 31, 1997 and 1996, respectively.

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7. Other Assets

	1997	1996
	-----	-----
Investments in joint ventures accounted for under the equity method	\$ 6,915	\$3,355
Deferred charges on debt financing	3,771	4,653
Other assets	1,203	283
	-----	-----
	\$11,889	\$8,291
	=====	=====

8. SENIOR NOTES

The Senior Notes due March 1, 2001 were issued in 1994 at a discount from their principal amount and bear interest at 10 % per annum (7 % prior to March 1, 1997) with interest payable in arrears on March 1 and September 1. The Senior Notes are the senior obligations of the Company, ranking senior in right of payment to all subordinated indebtedness of the Company, and pari passu in right of payment to all senior indebtedness of the Company.

Interest expense related to the Senior Notes was \$6,175,000 during the year ended December 31, 1997 (1996 - \$6,621,000; 1995 - \$6,642,000).

The Senior Notes are subject to redemption by the Company, in whole or in part, at any time on or after March 1, 1998 at redemption prices expressed as percentages of the principal amount (1998 104.29%; 1999 102.86%; 2000 101.43%), together with interest accrued thereon to the redemption date.

The Senior Notes indenture contains covenants that, among other things, limit the ability of the Company and certain subsidiaries to incur additional indebtedness, pay dividends or make other distributions, make certain loans and investments, enter into asset sales, create liens, enter into certain sale-leaseback transactions, enter into certain transactions with affiliates, liquidate, or merge, consolidate or transfer substantially all their respective assets.

9. CONVERTIBLE SUBORDINATED NOTES

In April 1996, the Company issued \$100 million of Convertible Subordinated Notes due April 1, 2003 bearing interest at 5.75 % payable in arrears on April 1 and October 1. The Notes, subordinate to present and future senior indebtedness of the Company, are convertible into common shares of the Company at the option of the holder at a conversion price of \$21.406 per share (equivalent to a conversion rate of 46.7154 shares per \$1,000 principal amount of Notes) at any time prior to maturity.

Interest expense related to the Convertible Subordinated Notes was \$5,750,000 during the year ended December 31, 1997 (1996 - \$4,159,000; 1995 - nil).

The notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (1999 103.286%; 2000 102.464%; 2001 101.643%; 2002 100.821%) plus accrued interest. The notes may only be redeemed by the Company between April 1, 1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than \$30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The notes may be redeemed at any time on or after April 1, 2001 without limitation.

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10. CAPITAL STOCK AND REDEEMABLE PREFERRED SHARES

(a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of Class C preferred shares issuable in two series.

The following is a summary of the rights, privileges, restrictions and conditions of each of the classes of shares.

Common shares

The holders of common shares are entitled to receive dividends if, as and when declared by the directors of the Company, subject to the rights of the holders of any other class of shares of the Company entitled to receive dividends in priority to the common shares.

The holders of the common shares are entitled to one vote for each common share held at all meetings of the shareholders.

Redeemable Class C preferred shares, Series 1

The holders of Class C shares are entitled to a cumulative dividend at the rate of 7 % per annum on the Class C issue price of Canadian \$100 per share. These dividends shall accrue from the issue date but shall not be declared or paid prior to the third anniversary date of the issue date. Dividends on the Class C shares are to be paid in priority to dividends payable to the holders of the common shares.

If on any anniversary date of the issue date after the third such anniversary date the Class C cumulative dividends to be paid on such date are not paid and such dividends were required to have been paid pursuant to certain conditions, then the rate at which Class C cumulative dividends shall accrue thereafter will increase by 1 % per annum to a maximum dividend rate of 10 % per annum until all Class C cumulative dividends have been paid as required, at which time the dividend rate will revert to 7 % per annum.

The Class C shares are redeemable at the option of the Company at any time in whole, or from time to time in part, in each case for an amount equal to the Class C issue price plus all accrued and unpaid dividends to, but not including, the date of such redemption. The Class C shares are to be redeemed in whole on September 1, 2002.

Except as otherwise required by law, the holders of Class C shares Series 1 are not entitled to vote at any meeting of the shareholders.

Redeemable Class C preferred shares, Series 2

The Class C Series 1 preferred shares may be converted at any time in whole upon a resolution of the directors of the Company into the same number of Class C Series 2 preferred shares. The Series 2 shares shall be identical to the Series 1 shares except that the holders of Series 2 shares will be entitled to such number of votes as the directors determine subject to a maximum of six % of the votes attaching to all voting shares of the Company outstanding immediately following the conversion.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(continued)  
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10. CAPITAL STOCK AND REDEEMABLE PREFERRED SHARES- (CONTINUED)

(b) Changes during the period

Pursuant to shareholders' approval at the Annual and Special Meeting held on May 6, 1997, the Company's shares were split on a 2-for-1 basis in May 1997. Common share, stock option and earnings per share data for the current and comparative periods give retroactive effect to the stock split as if it had taken place at the beginning of the period.

In 1997, the Company issued 778,200 common shares pursuant to the exercise of stock options for cash proceeds of \$5,616,000 and 5,000 shares were issued under the terms of an employment contract with an ascribed value of \$37,000.

In 1996, the Company issued 386,960 common shares pursuant to the exercise of stock options for cash proceeds of \$2,001,000 and 5,000 shares were issued under the terms of an employment contract with an ascribed value of \$37,000. The Company repurchased 660,000 common shares and all of the outstanding warrants of the Company from certain officers and directors of the Company for \$19,508,000 in cash.

In 1995, the Company issued 7,402 common shares pursuant to the exercise of stock options for cash proceeds of \$18,000 and acquired 28,000 common shares for cancellation at a cash cost of \$84,000.

(c) SHARES HELD FOR OTHER THAN RETIREMENT

As at December 31, 1997, 213,000 (1996 - 660,000) issued common shares are held by a subsidiary of the Company for other than retirement. During 1997, 447,000 common shares held by a subsidiary of the Company were sold to a former employee of the Company in connection with the exercise of a stock option grant for cash proceeds of \$105,000.

(d) STOCK OPTIONS AND WARRANTS

The Company has reserved a total of 4,644,188 common shares for future issuance as follows:

(i) 381,744 common shares have been reserved for issuance pursuant to stock options granted in connection with the employment of Douglas Trumbull, former Vice Chairman of the Company, at an exercise price equivalent to Canadian \$0.32 per share and expire on September 1, 2002. These options are fully vested.

(ii) 51,608 common shares have been reserved for issuance pursuant to stock options granted at an exercise price equivalent to Canadian \$1.59 per share which vest over a five year period and expire on April 8, 2004. At December 31, 1997, options in respect of 7,200 common shares were vested and exercisable.

(iii) 4,210,836 common shares have been reserved for issuance under the Employee Stock Option Plan, of which options in respect of 2,005,600 common shares are outstanding at December 31, 1997. The options granted under the Employee Stock Option Plan generally vest over a five-year period and expire 10 years from the date granted. As at December 31, 1997, options in respect of 636,800 common shares were vested and exercisable.



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10. CAPITAL STOCK AND REDEEMABLE PREFERRED SHARES- (CONTINUED)

	NUMBER OF SHARES			AVERAGE EXERCISE PRICE PER SHARE		
	1997	1996	1995	1997	1996	1995
Options outstanding, beginning of year	2,126,800	2,009,800	1,115,000	\$ 8.99	\$ 6.86	\$6.37
Granted	711,000	481,000	1,107,000	23.10	15.47	7.33
Exercised	(749,200)	(350,800)	(1,200)	7.45	6.49	6.75
Canceled or expired	(83,000)	(13,200)	(211,000)	9.36	6.77	6.75
Options outstanding, end of year	2,005,600	2,126,800	2,009,800	\$14.55	\$ 8.99	\$6.86

The weighted average fair value of common share options granted in 1997 is \$5,604,000 (1996 - \$2,622,000). The fair value of common share options granted is estimated at the grant date using the Black-Scholes option-pricing model with the following assumptions: dividend yield of 0 %, a riskfree interest rate of 6 %, expected life of the options ranging from two to five years and expected volatility of 40 %.

The following table summarizes certain information in respect of options outstanding under the Employee Stock Option Plan as at December 31, 1997:

Range of exercise prices per share	Number of Shares		Average exercise price per share	Average remaining term
	Outstanding	Vested		
\$ 4.62 - \$ 9.99	822,600	355,200	\$ 6.80	6 1/2 years
\$ 10.00 - \$ 14.99	108,000	22,000	11.22	8 years
\$ 15.00 - \$ 19.99	598,000	259,600	16.34	8 years
\$ 20.00 - \$ 27.00	477,000	-	26.44	9 3/4 years
Total	2,005,600	636,800	\$14.55	8 years

(e) REDEEMABLE PREFERRED SHARES

As at December 31, 1997 and 1996, there were 33,333 Class C Series 1 redeemable preferred shares issued and outstanding. Cumulative dividends payable on the Class C Series 1 redeemable preferred shares amounted to \$653,000 at December 31, 1997 (December 31, 1996 - \$483,000).

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10. CAPITAL STOCK AND REDEEMABLE PREFERRED SHARES - (CONTINUED)

(f) EARNINGS PER SHARE

	1997	1996	1995
	-----	-----	-----
Net earnings available to common shareholders:			
Net earnings	\$ 20,665	\$ 15,408	\$ 3,650
less: accrual of preferred dividends	(170)	(169)	(169)
accretion of discount of preferred shares	(160)	(140)	(125)
	-----	-----	-----
	\$ 20,335	\$ 15,099	\$ 3,356
	=====	=====	=====
Weighted average number of common shares:			
Issued and outstanding at beginning of year	27,885,218	28,153,258	28,173,856
Weighted average shares			
Issued in the year	659,065	172,546	5,402
Repurchased in the year	-	(476,686)	(25,666)
	-----	-----	-----
Weighted average used in computing basic earnings per share	28,544,283	27,849,118	28,153,592
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	1,575,410	2,075,780	1,239,584
	-----	-----	-----
Weighted average used in computing diluted earnings per share	30,119,693	29,924,898	29,393,176
	=====	=====	=====

Common shares potentially issuable pursuant to the Convertible Subordinated Notes would have an antidilutive effect on earnings per share and have not been included in the above computations.

If the methodology prescribed by Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, had been adopted by the Company, pro forma results would have been as follows:

	1997	1996	1995
	-----	-----	-----
Net earnings	\$19,499	\$15,059	\$2,872
Earnings per share			
Basic	\$ 0.67	\$ 0.53	\$ 0.09
Diluted	\$ 0.64	\$ 0.49	\$ 0.09

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11. COMMITMENTS

- (a) Total minimum annual rental payments under operating leases for premises are as follows:

1998	\$1,438
1999	1,910
2000	2,183
2001	2,441
2002	2,476

Rent expense was \$1,033,000 for the year ended December 31, 1997 (1996 - \$1,161,000; 1995 - \$944,000).

- (b) The Company has unused lines of credit amounting to Canadian \$6.3 million, or the equivalent in U.S. dollars. No commitment fees are payable on these lines of credit.
- (c) The Company has guaranteed up to \$5.75 million of a term loan undertaken by a joint venture to which it is a party in connection with the development and construction of an IMAX attraction in Las Vegas. The term loan, which matures in January 2009, bears interest at LIBOR plus 3 % and is collateralized by the assets of the joint venture.

12. GOVERNMENT ASSISTANCE

A portion of the Company's research activities which relate to 3D motion pictures is eligible for government grants. Government grants have been credited against research and development expense in the amount of \$100,000 during the year ended December 31, 1997 (1996 - \$324,000; 1995 - \$302,000).

13. INCOME TAXES

- (a) Earnings before income taxes and minority interest by tax jurisdiction comprise the following:

	1997	1996	1995
Canada	\$31,872	\$32,461	\$ 9,239
United States	6,512	3,308	(3,346)
Japan	1,424	(5,351)	3,547
Other	(521)	162	(332)
Total	\$39,287	\$30,580	\$ 9,108

- (b) The provision for income taxes comprises the following:

	1997	1996	1995
Current	\$ (3,250)	\$ (4,618)	\$(1,641)
Deferred	(14,015)	(8,961)	(3,817)
Total	\$(17,265)	\$(13,579)	\$(5,458)

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13. INCOME TAXES -- (CONTINUED)

(c) The provision for income taxes differs from the amount that would have resulted by applying the combined Canadian federal and Ontario provincial statutory income tax rates (44.62 %) to earnings as described below:

	1997	1996	1995
	-----	-----	-----
Income tax expense at combined statutory rates	\$(17,530)	\$(13,644)	\$(4,039)
(Increase) decrease resulting from:			
Non-deductible expenses, including amortization of goodwill	(985)	(1,519)	(929)
Manufacturing and processing profits deduction	684	977	-
Large corporations tax	(335)	(275)	(146)
Income tax at different rates in foreign and other provincial jurisdictions	292	701	(785)
Investment tax credits and other	609	181	441
	-----	-----	-----
Provision for income taxes as reported	\$(17,265)	\$(13,579)	\$(5,458)
	=====	=====	=====

(d) The deferred income tax liability consists of:

	1997	1996
	-----	-----
Net operating loss carry forwards	\$ 2,349	\$ 4,318
Investment tax credit carry forwards	5,015	4,529
Asset write downs	800	800
Income recognition on systems deliveries	(52,374)	(31,827)
Excess book over tax depreciation and amortization	26,740	17,507
Other	(145)	864
	-----	-----
Valuation allowance	(17,615)	(3,809)
	(1,981)	(2,272)
	-----	-----
	\$(19,596)	\$ (6,081)
	=====	=====

IMAX CORPORATION

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14. Consolidated Statements of Cash Flow

	1997	1996	1995
	-----	-----	-----
(a) Changes in other operating assets and liabilities were as follows:			
Decrease (increase) in:			
Accounts receivable	\$(15,081)	\$ (7,940)	\$ (4,007)
Net investment in leases	(18,674)	(15,499)	(10,791)
Inventories and systems under construction	(1,365)	(3,761)	(6,543)
Prepaid expenses	(604)	420	(537)
Increase (decrease) in:			
Accounts payable	2,428	1,446	(148)
Accrued liabilities	7,543	5,633	(251)
Income taxes payable	(2,423)	1,964	(232)
Other deferred revenue	(6,078)	526	7,803
	-----	-----	-----
	\$(34,254)	\$(17,211)	\$(14,706)
	=====	=====	=====
(b) Cash payments made during the year on account of:			
Income taxes	\$ 5,145	\$ 2,395	\$ 1,863
	=====	=====	=====
Interest	\$ 11,402	\$ 7,872	\$ 5,261
	=====	=====	=====
(c) Depreciation and amortization comprise the following:			
Acquired systems contracts in process	\$ 1,027	\$ 1,337	\$ 1,745
Film assets	4,905	2,850	5,111
Capital assets	5,560	5,020	3,755
Intangibles	2,701	2,708	2,541
Deferred financing costs	882	770	413
	-----	-----	-----
	\$ 15,075	\$ 12,685	\$ 13,565
	=====	=====	=====

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15. Segmented Information

The Company operates primarily in two industries: the design, manufacture and sale or lease of projection systems and the production, distribution and post-production of films. Inter-segment transactions are not significant.

	1997	1996	1995
	-----	-----	-----
Revenue			
Systems	\$ 97,539	\$ 85,972	\$ 51,968
Films	39,683	28,367	28,835
Other	21,237	15,499	7,694
	-----	-----	-----
	\$158,459	\$129,838	\$ 88,497
	=====	=====	=====
EARNINGS FROM OPERATIONS			
Systems	\$ 52,594	\$ 45,224	\$ 23,193
Films	11,452	7,965	7,226
Other	1,000	(1,101)	(5,759)
Corporate overhead and research and development	(17,338)	(15,203)	(11,785)
	-----	-----	-----
	\$ 47,708	\$ 36,885	\$ 12,875
	=====	=====	=====
DEPRECIATION AND AMORTIZATION			
Systems	\$ 6,741	\$ 6,781	\$ 7,192
Films	5,100	2,954	5,205
Other	3,234	2,950	1,168
	-----	-----	-----
	\$ 15,075	\$ 12,685	\$ 13,565
	=====	=====	=====
CAPITAL EXPENDITURES			
Systems	\$ 6,103	\$ 3,406	\$ 3,942
Films	206	76	254
Other	6,345	8,423	772
	-----	-----	-----
	\$ 12,654	\$ 11,905	\$ 4,968
	=====	=====	=====
IDENTIFIABLE ASSETS			
Systems	\$167,926	\$146,835	\$121,853
Films	52,199	23,729	11,382
Corporate and Other	124,234	138,180	61,280
	-----	-----	-----
	\$344,359	\$308,744	\$194,515
	=====	=====	=====

IMAX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(continued)  
 IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES  
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For the years ended December 31, 1997, 1996 and 1995.

15. SEGMENTED INFORMATION -- (CONTINUED)

Revenue by geographic area comprises:

	1997	1996	1995
	-----	-----	-----
Canada	\$ 12,890	\$ 27,740	\$13,705
United States	70,070	50,852	31,491
Europe	38,238	25,567	11,999
Japan	11,986	17,350	26,808
Other	25,275	8,329	4,494
	-----	-----	-----
	\$158,459	\$129,838	\$88,497
	=====	=====	=====

16. FINANCIAL INSTRUMENTS

From time to time the Company engages in hedging activities to reduce the impact of fluctuations in foreign currencies on its profitability and cash flow. The credit risk exposure associated with these activities would be limited to all unrealized gains on contracts based on current market prices. The Company believes that this credit risk has been minimized by dealing with highly-rated institutions.

To fund Canadian dollar costs in 1998, the Company had entered into forward exchange contracts as at December 31, 1997 to hedge the conversion of \$30 million of its cash flow into Canadian dollars at an average exchange rate of Canadian \$1.36 per U.S. dollar.

The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 168 million Yen at 98 Yen per U.S. dollar through September 2004 and on 17.4 million Francs at 5.1 Francs per U.S. dollar through September 2005.

The estimated fair values of the Company's financial instruments at December 31, 1997 are summarized as follows:

	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	-----	-----
Cash and cash equivalents	\$ 64,069	\$ 64,069
Marketable securities	26,461	26,461
Senior notes	65,000	67,860
Convertible subordinated notes	100,000	121,250
Foreign currency contracts	973	(719)

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these instruments. Marketable securities, which principally represent investments in corporate bonds maturing through October 1999, have been categorized as available-for-sale securities and are carried at estimated fair value. The fair values of the Company's Senior Notes and Convertible Notes are estimated based on quoted market prices for the Company's debt. The fair value of foreign currency contracts held for hedging purposes represents the estimated amount the Company would receive or pay to terminate the agreements, taking into consideration current exchange rates and the credit worthiness of the counterparties.

17. CONTINGENCIES

(a) In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the Plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Predecessor Imax was in negotiations with

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17. CONTINGENCIES -- (CONTINUED)

the Plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The Plaintiffs are claiming damages of Canadian \$4.6 million, representing the amount of profit they claim they are denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgment interest. The Company has disputed this claim and it went to trial in January 1998. The Court has reserved its decision, which must be released within six months of the trial.

Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian \$2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian \$2.5 million.

The Company believes that it will be successful in its defense of these claims and the ultimate loss, if any, will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

- (b) On February 26, 1996, Iwerks Entertainment Inc. filed a complaint against the Company alleging violations under the Sherman Act, the Clayton Act, tortious interference with contracts and prospective economic advantage, and unfair competition. The plaintiff is seeking unquantified damages, injunctive relief and restitution. The Company has filed an answer denying the material allegations of the complaint and intends to vigorously defend this action. The amount of the loss, if any, cannot be determined at this time.
- (c) In July 1997, Debra B. Altman filed a claim against the Company, and certain unidentified individuals, in the Superior Court of the State of California for the County of Los Angeles, alleging breach of contract, breach of implied covenant of good faith and fair dealing, breach of implied-in-fact contract, breach of confidence, constructive fraud, quantum meruit, unjust enrichment and constructive trust with respect to a film project the Plaintiff claims to have pursued with the Company. The Plaintiff is seeking unquantified damages exceeding \$5 million. The Company disputes this claim and has removed it to the U.S. District Court for the Central District of California, Western Division, and intends to vigorously defend this action. The trial is scheduled for July 1998. The amount of loss, if any, cannot be determined at this time.

In addition to the litigation described above, the Company is currently involved in other litigation which, in the opinion of the Company's management, will not materially affect the Company's financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such litigation.



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18. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, and Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, will become effective for the Company's 1998 fiscal year and may require additional financial statement disclosures or alternative presentation of existing disclosures.

New accounting standards issued but not effective would not have a material impact on the Company's financial statements.

19. SUBSEQUENT EVENT

On March 5, 1998, Rosalini Film Productions Inc. filed a claim against the Company in the U.S. District Court for the Central District of California, alleging breach of written agreement, breach of implied covenant of good faith and fair dealing, fraud and deceit, negligent misrepresentation, unfair competition, unjust enrichment, quantum meruit, constructive trust and declaratory relief with respect to a film project the Plaintiff claims to have pursued with the Company. The Plaintiff is seeking unquantified damages. The Company disputes this claim and intends to vigorously defend this action. The amount of loss, if any, cannot be determined at this time.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding the executive officers and directors of the Company.

NAME	Age	Position
Bradley J. Wechsler.....	46	Chairman, Co-Chief Executive Officer and Director
Richard L. Gelfond.....	42	Vice Chairman, Co-Chief Executive Officer and Director
John M. Davison.....	39	Executive Vice President, Operations and Chief Financial Officer and Director
Peter J. Chilibeck.....	38	Senior Vice President, Legal Affairs and General Counsel
Andrew Gellis.....	43	Senior Vice President, Film
Michael A. Gibbon.....	54	Senior Vice President, Technology
Christian H. Jorg.....	34	Senior Vice President, IMAX Attractions and Chief Operating Officer of Ridefilm Corporation
David B. Keighley.....	50	Senior Vice President and President of David Keighley Productions 70MM Inc.
Michael M. Davies.....	37	Vice President and Corporate Controller
Jennifer H. Rae.....	54	Vice President, Affiliate Relations
G. Mary Ruby.....	40	Vice President, Legal Affairs and Corporate Secretary
I. Graeme Ferguson.....	68	Director
Michael Fuchs.....	52	Director
Garth M. Girvan.....	48	Director
Murray B. Koffler.....	74	Director
Philip C. Moore.....	44	Director and Assistant Secretary
Miles S. Nadal.....	40	Director
Marc A. Utay.....	38	Director

Under the Articles of the Company, the Board of Directors is divided into three classes, each of which serves for a three year term. The initial term of Class III directors, currently composed of Richard L. Gelfond, Miles S. Nadal and Bradley J. Wechsler expires at the Annual Meeting of Shareholders to be held on June 22, 1998. The term of Class I directors, currently composed of John M. Davison, I. Graeme Ferguson, Michael Fuchs and Philip C. Moore, expires in 2000. The term of Class II directors, currently composed of Garth M. Girvan, Murray B. Koffler and Marc A. Utay, expires in 1999.

BRADLEY J. WECHSLER has been Chairman of the Company since March 1994 and Co-Chief Executive Officer since May 1996. From March 1, 1994 to September 12, 1994, Mr. Wechsler also served as Interim Chief Executive Officer. Since 1987, Mr. Wechsler has served as President of Entertainment Finance Services, Inc. and, since 1992, has served as President of Bedford Capital Advisors, Inc. which provides financial and advisory services to media and entertainment companies.

RICHARD L. GELFOND has been Vice Chairman of the Company since March 1994 and Co-Chief Executive Officer since May 1996. In 1991 Mr. Gelfond founded Cheviot Capital Advisors Inc., a financial advisory and merchant banking firm that specializes in acquisitions and venture capital investments. In addition, Mr. Gelfond is Vice Chairman of the Board of Directors of Envirotest Systems Corp., a public company which is the largest provider of vehicle emissions testing services in North America.

JOHN M. DAVISON joined the Company in 1987 and was appointed Vice President, Finance in 1991. In 1995 Mr. Davison became Senior Vice President, Finance and Administration, responsible for the financial affairs and administrative operations of the Company, and in February 1997 was appointed Executive Vice President, Operations and Chief Financial Officer. He became a Director of the Company in May 1994. Mr. Davison is a Chartered Accountant and Chartered Business Valuator. Mr. Davison is a Canadian citizen.

PETER J. CHILIBECK joined the Company as Senior Vice President, Legal Affairs and General Counsel in February 1997. He is responsible for advising the Board of Directors and senior management on all of the Company's legal affairs. Prior to joining the Company, Mr. Chilibeck was Corporate Secretary and Assistant General Counsel of Northern Telecom Limited, a leading global supplier of telecommunications equipment products, from December 1994, and Assistant General Counsel and Assistant Secretary of Northern Telecom Limited prior thereto. Mr. Chilibeck is a member of the Ontario Bar and a Canadian Citizen.

ANDREW GELLIS joined the Company as Senior Vice President, Film in January 1996 responsible for supervising the production and distribution of the Company's films for both the institutional and commercial markets. Prior to joining the Company, Mr. Gellis was affiliated with Sony Corporation and its numerous entertainment/technology divisions, where he helped pioneer and advance Sony's entrance into the large-format filmmaking arena. Mr. Gellis also wrote and produced Sony's highly-acclaimed 15/70-format 3D film Across The Sea of Time. Mr. Gellis began his career at the J. Michael Bloom Agency, where he founded the literary department on both coasts, served as a production executive at CBS Film, Inc., was a studio-based producer at Twentieth-Century Fox and was the head of his own film production company.

MICHAEL A. GIBBON joined the Company in 1988 and became Vice President, Technology in 1989 and Senior Vice President, Technology in 1995. Mr. Gibbon is responsible for technology, manufacturing and client support, for both the making of films and for theaters and projection systems. Mr. Gibbon is registered as a professional engineer by the Association of Professional Engineers of Ontario. Mr. Gibbon is a Canadian citizen.

CHRISTIAN H. JORG joined the Company in 1995 as Vice President, Business Affairs and Business Development and was promoted to Senior Vice President, Business Affairs and Development in December 1995. In July 1996, Mr. Jorg was given the functional title of Chief Operating Officer of Ridefilm Corporation and is responsible for the Company's attractions businesses, product development and marketing for theme parks and investment opportunities in specialty attractions. Prior to joining the Company, Mr. Jorg was Vice President, New Technologies for BMG Entertainment (formerly Bertelsmann Music Group). Mr. Jorg is a Director of Sonics Associates, Inc.

DAVID B. KEIGHLEY has been a Senior Vice President of the Company since July 1997 and is President of David Keighley Productions 70MM Inc. From January 1995 to July 1997, Mr. Keighley was a Vice President of the Company. Mr. Keighley is responsible for motion picture post-production and image quality assurance for 15/70-format films and has been involved in the production and post-production of 15/70-format films for more than two decades. Mr. Keighley was recognized by the Board of Governors of the Society of Motion Picture and Television Engineers (SMPTE) as the winner of the 1993 Herbert T. Kalmus Gold Medal Award for his outstanding contributions to 15/70mm print quality control and pioneering efforts in making high-quality 15/70mm release prints through the interpositive/internegative system. Mr. Keighley is a Canadian citizen.

MICHAEL M. DAVIES has been Corporate Controller of the Company since October 1994 and was appointed Vice President and Corporate Controller in November 1996. From April to October 1994, Mr. Davies was Vice President and Controller of Lac Minerals Ltd., a publicly held international mining company. Prior thereto, Mr. Davies held several controllership positions with Lac Minerals Ltd. Mr. Davies is a Chartered Accountant and a Canadian citizen.

JENNIFER H. RAE, Vice President, Affiliate Relations, joined the Company in 1986 and was appointed Vice President, Corporate Communications in 1994 and Vice President, Affiliate Relations in September 1996. Ms. Rae is responsible for evaluating and co-ordinating all aspects of the Company's relationships with its theater network. Ms. Rae has worked for more than 25 years as a communications consultant and writer/editor, primarily in broadcasting, politics and the voluntary sector. Ms. Rae is a Canadian citizen.

G. MARY RUBY joined the Company in 1987 and was appointed Vice President, Legal Affairs and Corporate Secretary in 1991. Ms Ruby acts as Corporate Secretary to the Board of Directors and provides advice with respect to the Company's legal affairs. Ms. Ruby is a member of the Ontario Bar and is a Canadian citizen.

I. GRAEME FERGUSON, a Director of the Company since May 1996, was a co-founder and past President of the Company. Since 1994, Mr. Ferguson has been a consultant to the Company on various film productions. He has produced or co-produced such 15/70-format films as North Of Superior, Man Belongs To The Earth, Snow Job, Ocean, Hail Columbia!, The Dream Is Alive, Blue Planet, Journey To The Planets, Destiny In Space, Into The Deep, L5-First City In Space, and Mission To Mir. Mr. Ferguson is a Canadian citizen and is a Member of the Order of Canada.

MICHAEL FUCHS, a Director of the Company since May 1996, held the position of Chairman and Chief Executive Officer of Home Box Office from October 1984 until November 1995. Under his leadership, HBO became the largest and most successful pay-television company in the world. In May, 1995 Mr. Fuchs added the chairmanship of Warner Music Group to his portfolio, becoming responsible for the overall management of the two divisions for the world's leading entertainment conglomerate, Time Warner Inc. Mr. Fuchs left Time Warner in November, 1995. Mr. Fuchs has received many honors, including induction into the Broadcasting & Cable Magazine Hall of Fame (1994), The National Academy of Cable Programming Governors Award (1994), The Milton Petrie Award from The National Victim Center (1992), The Simon Wiesenthal Center's Distinguished Service Award (1989), The National Cable Television Association's Vanguard Award for Programming Excellence (1988), The Simon Wiesenthal Center's Humanitarian Award (1996), Union College's Nott Medal for Distinguished Alumni (1995), and People For the American Way's Spirit of Liberty Award (1996). Mr. Fuchs holds numerous other directorships.

GARTH M. GIRVAN, a Director of the Company since 1994, is a partner of McCarthy Tetrault, special Canadian counsel to the Company. Mr. Girvan is a Canadian citizen.

MURRAY B. KOFFLER, a Director of the Company since May 1996, founded Shoppers Drug Mart in 1968 and presently serves as Honorary Chairman. Mr. Koffler co-founded Four Seasons Hotels Limited and presently serves as a director. Since 1988, Mr. Koffler has been Chairman of the International Board of Directors of the Weizmann Institute of Science in Israel. Mr. Koffler holds numerous other directorships. Mr. Koffler is a Canadian citizen and is an Officer of the Order of Canada.

PHILIP C. MOORE, a Director of the Company since 1994, is a partner of McCarthy Tetrault, special Canadian counsel to the Company. Mr. Moore is a Canadian citizen.

MILES S. NADAL, a Director of the Company since 1994, has been President and Chief Executive Officer, and a director, of MDC Corporation since 1986. MDC Corporation is a multi-disciplined communications and marketing organization providing a broad range of consulting, production and manufacturing services in the communications industry. Mr. Nadal is a Canadian citizen.

MARC A. UTAY, a Director of the Company since May 1996, has been Managing Director of Wasserstein Perella & Co. Inc. and head of the firm's High Yield Investment Banking Capital Markets Group since 1993. Prior to his joining Wasserstein Perella, Mr. Utay was Managing Director at Bankers Trust Company where he specialized in leveraged finance and mergers and acquisitions.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth, for the periods indicated, the compensation paid or granted by the Company and its subsidiaries to the individuals who served during 1997 as Chief Executive Officers and the four most highly compensated executive officers of the Company, other than the Chief Executive Officer, who were serving as executive officers at December 31, 1997 (collectively, the "Named Executive Officers"). As noted in Item 13 under "Standstill Agreement", the Articles of the Company provide that the entering into or changing the terms of any agreement with the Co-Chief Executive Officers is an "Extraordinary Matter" requiring unanimous approval by the "CEO Advisors" (who currently comprise a representative of Wasserstein Perella and the Co-Chief Executive Officers), failing which unanimous approval of the Board of Directors is required. The compensation for the Co-Chief Executive Officers for 1997 was determined in accordance with their renewal employment agreements effective January 1, 1997, the terms of which agreements were approved by the Board of Directors upon the recommendation of the Compensation Committee, which is composed of three directors independent of management, after receiving the unanimous recommendation of the CEO Advisors. The table also includes an additional individual for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer of the registrant at December 31, 1997.

SUMMARY COMPENSATION TABLE

Name and Principal Position of Named Executive Officer	Year Ended December 31	Annual Compensation		
		Salary	Bonus (2)	Other Annual Compensation (3)
		(\$)	(\$)	(\$)
Bradley J. Wechsler Chairman and Co-Chief Executive Officer	1997	710,000	1,300,000	--
	1996	650,000	650,000	--
	1995	500,000	250,000	--
Richard L. Gelfond Vice Chairman and Co-Chief Executive Officer	1997	710,000	1,300,000	--
	1996	650,000	650,000	--
	1995	500,000	250,000	--
David B. Keighley, Senior Vice President and President, David Keighley Productions 70MM Inc.	1997	178,849	220,597	--
	1996	150,078	149,438	--
	1995	145,317	98,459	--
Christian Jorg Senior Vice President, IMAX Attractions and Chief Operating Officer of Ridefilm Corporation	1997	208,692	40,000	136,875(6)
	1996	198,731	44,324	77,500(6)
	1995	78,500(1)	25,000	--
Andrew Gellis Senior Vice President, Film	1997	210,000	55,000	50,000(8)
	1996	210,000	55,125	50,000(8)
John Davison Executive Vice President, Operations and Chief Financial Officer	1997	193,025	73,455	--
	1996	146,580	45,631	--
	1995	136,678	36,625	--
Douglas Trumbull Vice Chairman and Chief Executive Officer of Ridefilm Corporation	1997	288,462(10)	207,765	--
	1996	1,229,167	--	--
	1995	1,104,167	--	--

NAME AND PRINCIPAL POSITION OF Named Executive Officer	Long-Term Compensation		
	Restricted Stock Awards(4)	Securities Under Options Granted(5)	All Other Compensation(9)
	(\$)	(#)	(\$)
Bradley J. Wechsler Chairman and Co-Chief Executive Officer	465,000	80,000	8,614
	--	--	8,022
	--	300,000	7,806
Richard L. Gelfond Vice Chairman and Co-Chief Executive Officer	465,000	80,000	8,614
	--	--	7,806
	--	300,000	7,806
David B. Keighley, Senior Vice	--	15,000	11,019

President and President, David Keighley Productions 70MM Inc.	--	10,000	8,189
	--	15,000	8,217
Christian Jorg	--	12,500	8,614
Senior Vice President, IMAX	--	25,000	162
Attractions and Chief	--	50,000	54
Operating Officer of Ridefilm Corporation			62,500(7)
Andrew Gellis	--	12,500	8,614
Senior Vice President, Film	--	62,000	306
John Davison	--	35,000	10,273
Executive Vice President,	--	20,000	8,006
Operations and Chief Financial	--	20,000	7,718
Officer			
Douglas Trumbull	--	--	3,302
Vice Chairman and Chief	--	--	8,364
Executive Officer of	--	--	8,364
Ridefilm Corporation			

- (1) This amount was paid to Mr. Jorg in 1995 based on his annual salary of \$195,000.
- (2) These amounts are paid under annual incentive arrangements that the Company has with each of the Named Executive Officers, as detailed under "Employment Contracts."
- (3) The value of perquisites and other personal benefits for each Named Executive Officer does not exceed the lesser of \$50,000 and 10% of his annual salary and bonus.
- (4) These amounts represent the dollar value of the grant of 30,000 synthetic restricted shares ("phantom stock") on January 1, 1997 to each of Messrs. Wechsler and Gelfond as detailed under "Employment Contracts". The value of this phantom stock grant to each of the Named Executives as at December 31, 1997 was \$660,000.
- (5) 1995 and 1996 amounts have been restated to reflect the 2-for-1 stock split which became effective by May 27, 1997.

- (6) This amount represents the taxable benefit in respect of 5,000 fully paid-up shares issued to Mr. Jorg pursuant to his employment contract.
- (7) This amount represents one-time signing and relocation payments of \$17,500 and \$45,000, respectively, made to Mr. Jorg in 1995 pursuant to his employment contract.
- (8) This amount was paid on account of certain script writing services provided by Mr. Gellis.
- (9) Except as noted, these amounts reflect (i) the payment by the Company of life insurance premiums on the lives of the Named Executive Officers, and (ii) contributions to the Company's defined contribution pension plans.
- (10) This amount was paid to Mr. Trumbull in 1997 based on his annual salary of \$1,250,000. Mr. Trumbull's contract with the Company expired on March 1, 1997.

#### OPTIONS GRANTED

The Company has a Stock Option Plan under which the Company may grant options to purchase common shares on terms that may be determined, within the limitations of the Stock Option Plan. The aggregate number of common shares reserved for issuance under the Plan is 4,210,836 common shares. Options to purchase 2,005,600 common shares have been granted and are outstanding under the Plan as at December 31, 1997. The exercise price for options issued under the Plan, is not to be less than the market price of the common shares on the date of grant. An option will be exercisable for a maximum period of ten years from the date of grant, subject to earlier termination if the option holder ceases to be employed by the Company. The Board of Directors determines vesting requirements. If a Participant's employment with the Company terminates for any reason, any Options which have not vested will be surrendered for cancellation without any consideration being paid therefor. If the Participant's employment is terminated without "cause" or by reason of such Participant's resignation, death or permanent disability, the Participant (or the Participant's estate) will be entitled to exercise the Participant's vested Options for a period of 30 days. If the Participant's employment is terminated for cause, such Participant's vested Options will be surrendered for cancellation without any consideration being paid therefor. If the Participant is a party to an employment agreement with the Company or any of its subsidiaries and breaches any of the restrictive covenants in such agreement, such Participant will be required to surrender all unexercised Options for cancellation without any consideration being paid therefor and will be obligated to pay to the Company an amount equal to the aggregate profit realized by such Participant with respect to any prior Option exercises.

The following table sets forth information relating to individual grants of options to purchase common shares of the Company to Named Executive Officers under the Stock Option Plan during the financial year ended December 31, 1997 in respect of services rendered or to be rendered to the Company:

#### OPTION GRANTS IN FINANCIAL YEAR ENDED DECEMBER 31, 1997

NAME	SECURITIES UNDER OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FINANCIAL YEAR	EXERCISE PRICE	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
					5%	10%
	(#)		(\$/COMMON SHARE)		(\$)	(\$)
Bradley J. Wechsler (1)	80,000	11.3	15.70	01-Jan-04	514,960	1,193,200
Richard L. Gelfond (1)	80,000	11.3	15.70	01-Jan-04	514,960	1,193,200
David Keighley (2)	15,000	2.1	26.94	11-Aug-07	254,583	642,519
Christian Jorg (2)	12,500	1.8	26.94	11-Aug-07	212,153	535,433
Andrew Gellis (2)	12,500	1.8	26.94	11-Aug-07	212,153	535,433
John Davison (2)	35,000	4.9	26.94	11-Aug-07	594,027	1,499,211

- (1) These options vested immediately upon the grant date and entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.
- (2) These options vest over five years at the rate of 20% per year and entitle the Named Executive Officer to purchase one common share for each option. The market value of the common shares underlying the options was equal to the exercise price on the date of the grant.

AGGREGATED OPTION EXERCISES DURING THE FINANCIAL YEAR  
ENDED DECEMBER 31, 1997 AND FINANCIAL YEAR-END OPTION VALUES

NAME	SECURITIES ACQUIRED ON EXERCISE	AGGREGATE VALUE REALIZED	UNEXERCISED OPTIONS AT FINANCIAL YEAR-END EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FINANCIAL YEAR-END EXERCISABLE/UNEXERCISABLE (1)
	(#)	(\$)	(#)	(\$)
Bradley J. Wechsler	277,000	3,233,307	80,000/Nil	504,000/Nil
Richard L. Gelfond	277,000	3,233,307	80,000/Nil	504,000/Nil
David Keighley	Nil	Nil	38,000/52,000	563,320/491,980
Christian Jorg	Nil	Nil	25,000/62,500	310,575/517,300
Andrew Gellis	Nil	Nil	12,400/62,100	121,250/485,000
John Davison	59,000	1,184,105	7,000/98,000	70,660/900,903
Douglas Trumbull	447,000	9,730,117	385,744/Nil	8,326,462/Nil

(1) Calculated based on the December 31, 1997 closing price of the common shares on NASDAQ of \$22.00.

#### PENSION PLANS

The Company maintains defined contribution employee pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount equal to 5% of their base salary subject to certain prescribed maximums. During the financial year ended December 31, 1997, the Company contributed an aggregate of \$13,937 to the Canadian plan on behalf of Messrs. Keighley and Davison and \$41,194 to the Company's defined contribution employee pension plan qualified under Section 401(k) of the U.S. Internal Revenue Code on behalf of each of Messrs. Wechsler, Gelfond, Keighley, Jorg, Gellis and Trumbull. The Company does not have any other pension plans for its employees.

#### EMPLOYMENT CONTRACTS

The Company has entered into employment agreements with each of Messrs. Wechsler and Gelfond (the "Executives") with effect from January 1, 1997 for a two-year term. Under the Company's governance process as set forth in its Articles and By-laws, the "CEO Advisors" unanimously recommended to the Compensation Committee, which is composed of three directors independent of management, the approval of these agreements, which were approved by the Board of Directors upon the recommendation of the Compensation Committee. The CEO Advisors include a representative of Wasserstein Perella, the largest shareholders of the Company. The employment agreements provide that each of the Executives will receive a salary of US\$ 710,000 in each year of the term. These agreements also provide that each of the Executives will receive a discretionary bonus in each year tied to the performance of the Company and certain qualitative and quantitative measures determined by the CEO Advisors (as such term is described below under "Standstill Agreement") and the Compensation Committee of the Board. The bonus paid to each of Messrs. Wechsler and Gelfond in respect of 1997 was \$1,300,000. In addition, at the beginning of each year of the term each Executive is granted the right to receive 30,000 synthetic restricted shares ("phantom stock"). At any time after January 1, 1998 and January 1, 1999 each Executive has the right to exercise the right to receive the phantom stock, by being paid an amount equal to the fair market value of an equal number of common shares of the Company on the date on which the Executive makes the request. Each Executive is also granted 80,000 options to purchase common shares in accordance with the Stock Option Plan on each of January 2, 1997 and 1998, which options expire on January 1, 2004 and January 1, 2005, respectively. Under the agreements, each of the Executives is to perform such services with respect to the Company's business as may be reasonably requested from time to time by the Board of Directors and which are consistent with his position as Co-Chief Executive Officer. In addition, the Company is to use its best efforts to cause the Executives to be elected to the Board of Directors and to the designation of a CEO Advisor. In addition, a provision contained in their original employment agreements is continued, whereby each of the Executives is also entitled to receive, upon a sale of the Company or the exercise after March 1, 1999 by the Executives of their rights to require the Company to take action to liquidate their common shares under a Shareholders' Agreement among Wasserstein Perella Partners, L.P., Mr. Wechsler, Mr. Gelfond and certain other investors dated as of June 16, 1994, a cash bonus in an amount equal to the product of (a) 0.375% and (b) the amount by which the sale or liquidation transaction imputes an equity value in excess of Cdn. \$150,000,000 to the common shares originally issued by the Company (on a fully diluted basis but excluding the common shares issued upon the conversion of the Class B convertible preferred shares of the Company formerly outstanding which were converted into common shares on June 16, 1994 and the common shares issued upon the



exercise of warrants owned by each of Messrs. Wechsler and Gelfond). Under the employment agreements, the Company is to equalize the Executives to the taxes which each of the Executives would have paid had he earned his employment compensation and paid taxes thereon solely in the United States. The employment agreements also contain non-competition provisions.

The three-year employment agreement entered into between the Company and Mr. Trumbull expired on March 1, 1997. During the term of this agreement, Mr. Trumbull received a base salary, payable at the annual rate of \$1,000,000 for the first year and increasing to \$1,125,000 for the second year and \$1,250,000 for the third year. Under the agreement, Mr. Trumbull received as a bonus, options to purchase 414,372 common shares at an exercise price of Cdn. \$0.65. Mr. Trumbull was also entitled under the agreement to receive bonuses payable in cash. The amount of any such cash bonuses were to be based on the aggregate price paid by Mr. Trumbull to exercise the options. In 1997, Mr. Trumbull received a bonus of Cdn. \$288,315 (US\$207,765). Mr. Trumbull was also eligible to receive additional compensation (payable in additional options to purchase common shares or a combination of common shares and cash) in connection with new technology devised by Mr. Trumbull or if Mr. Trumbull personally produced or directed any film project. Mr. Trumbull's employment agreement also contained a non-competition provision.

The Company and David Keighley Productions 70 MM Inc. (formerly David Keighley Productions Ltd.) ("DKPL/70MM"), a wholly-owned subsidiary of the Company, entered into an employment agreement on November 24, 1993 (the "1993 Agreement") under which David Keighley was employed as President of DKPL/70MM. The agreement was for a five-year term commencing February 1, 1993. Under this agreement, Mr. Keighley received an annual base salary of Cdn. \$187,795 in the year ended January 31, 1994 and an annual base salary in each of the next four years thereafter equal to 103% of the previous year's base salary. Mr. Keighley was entitled to receive an annual bonus of one-third of his annual base salary if DKPL/70MM met its pre-tax profit threshold as provided in the agreement for each of the five years ended December 31. Mr. Keighley was also entitled to receive a further bonus of 10% of any excess of DKPL/70MM's audited profit before taxes over DKPL/70MM's pre-tax profit threshold. On July 15, 1997, DKPL/70MM entered into a new employment agreement with Mr. Keighley. The new agreement is for a five-year term. Under this agreement, Mr. Keighley is to receive an annual base salary of \$212,405 in the year ended July 15, 1998 and will receive an annual base salary of 105% of the previous year's base salary in each of the next four years during the term of the agreement. Mr. Keighley is entitled to receive an annual bonus and further profit-based bonus on the same basis as in the 1993 Agreement. Mr. Keighley's bonus in respect of DKP/70MM's year ended December 31, 1997 was U.S. \$220,597. Under the new agreement, Mr. Keighley has also given covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Keighley may be terminated at any time for cause or, after not less than 30 days notice, without cause. If Mr. Keighley's employment is terminated without cause, DKPL/70MM must continue to pay Mr. Keighley his annual base salary for a maximum period of 12 months. In addition to the above, the Company provided Mr. Keighley with a temporary housing loan in the amount of U.S. \$75,000 plus interest (which was repaid in 1997) to be used in connection with his relocation to Los Angeles at the Company's request.

Mr. Jorg entered into an employment agreement on August 8, 1995 under which he was employed as Vice President, Business Affairs and Business Development. Effective March 1, 1997 Mr. Jorg was promoted to the position of Senior Vice President and Chief Operating Officer, IMAX Attractions and Chief Operating Officer of Ridefilm Corporation. The agreement is for a three-year term. Under his agreement Mr. Jorg receives an annual base salary of \$195,000 in the first year of the employment term, \$205,000 in the second year and \$215,000 in the third year plus an annual performance bonus (with a minimum guaranteed bonus of \$20,000 for 1997). Pursuant to the agreement, Mr. Jorg has received 10,000 fully paid common shares of the Company and was granted options to purchase 50,000 common shares under the Stock Option Plan. Mr. Jorg has given covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Jorg may be terminated at any time for cause. If Mr. Jorg's employment is terminated without cause, the Company must pay Mr. Jorg his annual base salary and guaranteed bonus for the balance of the term.

Mr. Gellis entered into an employment agreement on December 13, 1995 under which he was employed as Senior Vice President, Film of the Company. The agreement was for a two-year term commencing January 1, 1996. Under this agreement Mr. Gellis received an annual base salary of \$210,000 plus an annual performance bonus at a target of 30% of salary, with a guaranteed minimum annual bonus of \$40,000. Mr. Gellis was also entitled to receive a minimum of \$50,000 in each year of the term in respect of script writing services performed by Mr. Gellis for the Company. Pursuant to the agreement Mr. Gellis was granted options to purchase 50,000 common shares under the Stock Option Plan. Mr. Gellis has given covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Gellis may be terminated at any time for cause. If Mr. Gellis' employment is terminated without cause, the Corporation must pay Mr. Gellis his annual salary and guaranteed bonus for the greater of the balance of the term and six months. Mr. Gellis' employment agreement with the Company expired on January 1, 1998. A new agreement is currently in negotiation.

Mr. Davison entered into an employment agreement with the Company on January 16, 1991, as amended by a letter dated August 31, 1992, under which he was employed as Director, Corporate Development and then promoted to Vice President, Finance. The agreement is for an indefinite term and contains covenants regarding confidentiality and non-competition. The agreement provides that the employment of Mr. Davison may be terminated at any time for cause. If Mr. Davison's employment is terminated without cause, the Corporation must pay Mr. Davison his annual salary for 12 months. Mr. Davison and the Company entered into a share option agreement dated as of April 8, 1994. Under this agreement Mr. Davison is granted options to purchase 75,016 common shares of the Company at Cdn. \$1.595 per share. The options vest over a five year period with 50% vesting on the attainment of certain performance criteria to be determined by the Company and the remaining vesting as to 20% each year. Any unvested options on the date of any termination of Mr. Davison's employment are forfeited.

#### Compensation Committee

The Board of Directors constituted a Compensation Committee in December 1996. The members of the Compensation Committee are Messrs. Girvan, Nadal and Utay. Mr. Fuchs is an unofficial member of the Committee. As the Compensation Committee did not participate in executive compensation decisions in respect of 1997, other than the employment agreement entered into by the Co-Chief Executive Officers, the compensation of the Company's employees was established through guidelines set by the Board of Directors.

Compensation for all the Company's employees, including its Named Executive Officers, is based on each employee's job responsibilities and on his or her individual performance over time. The Company's executive compensation program has three principal components: base salary, annual variable incentive compensation and stock options. The Company believes these components collectively provide a fair and competitive pay package and an appropriate relationship between an executive's compensation, the executive's performance, and the Company's performance.

#### DIRECTORS' COMPENSATION

Directors are reimbursed for the expenses of attending meetings of the Board of Directors. In addition, members of the Board of Directors who are not also employees of the Company receive Cdn. \$20,000 per year plus Cdn. \$1,500 for each meeting of the Board attended in person and Cdn. \$750 for each telephone meeting of the Board or meeting of any committee of the Board, whether participating in person or by telephone. In addition, each of the directors who are not also employees of the Company are granted options to purchase 4,000 common shares at an exercise price equal to the market value of the common shares of the Company on the date of grant which vest on the date of grant and expire on the date which is 10 years after the date of grant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of each class of the Company's securities as at December 31, 1997 including (i) all beneficial owners of more than five % of the Company's voting capital stock, (ii) all directors and Named Executive Officers individually, and (iii) all directors and executive officers as a group.

TITLE OF CLASS	BENEFICIAL OWNERS	SHARES BENEFICIALLY OWNED	
		NUMBER OF SHARES	% OF CLASS
Common Shares	Wasserstein Perella Group:		
	Wasserstein Perella Partners, L.P.....	8,254,567	27.2
	Wasserstein Perella Offshore Partners, L.P.....	877,694	2.9
	WPPN, Inc.....	1,084,311	3.6
		-----	-----
		10,216,572	33.7
	Bradley J. Wechsler.....	900,300 (1)	3.0
	Richard L. Gelfond.....	870,300 (2)	2.9
	Douglas M. Trumbull.....	808,860 (3)	2.7
	I.Graeme Ferguson.....	65,268 (4)	*
	John M. Davison.....	17,000 (5)	*
	Michael Fuchs.....	55,496 (4)	*
	Garth M. Girvan.....	33,898 (4)	*
	David B. Keighley.....	38,000 (6)	*
	Christian H. Jorg.....	35,000 (8)	*
Andrew Gellis.....	22,400 (9)	*	
Miles S. Nadal.....	12,000 (7)	*	
Murray B. Koffler.....	12,200 (4)	*	
Philip C. Moore.....	8,000 (4)	*	
Marc A. Utay.....	8,000 (4)	*	
All directors and executive officers as a group (19 persons).....	2,956,372 (10)	9.7	
Class C Preferred Shares	John M. Davison.....	217	*
	David B. Keighley.....	83	*
	All directors and executive officers as a group (19 persons).....	662	2.0

\* less than one %.

- (1) Included in the amount shown are 80,000 common shares as to which Mr. Wechsler had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (2) Included in the amount shown are 80,000 common shares as to which Mr. Gelfond had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (3) Included in the amount shown are 385,744 common shares as to which Mr. Trumbull had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (4) Included in the amount shown are 8,000 common shares as to which Messrs. Ferguson, Fuchs, Girvan, Koffler, Moore and Utay had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (5) Included in the amount shown are 7,000 common shares as to which Mr. Davison had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (6) Included in the amount shown are 38,000 common shares as to which Mr.Keighley had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.

- (7) Included in the amount shown are 12,000 common shares as to which Mr. Nadal had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (8) Included in the amount shown are 25,000 common shares as to which Mr. Jorg had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (9) Included in the amount shown are 22,400 common shares as to which Mr. Gellis had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.
- (10) Included in the amount shown are 743,144 common shares as to which all directors and executive officers as a group had, at December 31, 1997, the right to acquire beneficial ownership through the exercise of options.

Statements as to securities beneficially owned by directors and by executive officers, or as to securities over which they exercise control or direction, are based upon information obtained from such directors and executive officers and from records available to the Company.

#### SHAREHOLDERS' AGREEMENTS

The Company, Wasserstein Perella Partners, L.P. and Wasserstein Perella Offshore Partners, L.P. (collectively "WP"), Messrs. Wechsler and Gelfond and certain other investors are parties to a Shareholders' Agreement (the "Shareholders Agreement") made as of June 16, 1994, which includes, among other things, rights of first refusal, registration rights, tag along rights, drag along rights and liquidation rights. The Shareholders Agreement requires that if prior to 1999 either WP, Messrs. Gelfond or Wechsler has received an offer to sell (other than pursuant to an effective registration statement under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or in accordance with Rule 144 under that Act) securities equal to 5% or more of the outstanding common stock of the Company on a fully diluted basis, the selling shareholder must first offer the other parties the option to purchase such securities on the terms of such offer. In addition, Messrs. Gelfond and Wechsler each have the right to sell their pro rata share of securities if at any time prior to 2004, WP owns at least 10% of their original holdings and proposes to sell 50% or more of their holdings. If, beginning in 1999, WP holds at least 35% of their original holdings and WP desires to transfer all of their securities in a transaction in which a majority of the shares of outstanding common stock are to be sold, then Messrs. Gelfond and Wechsler will be required to sell their securities on the same terms as WP. Messrs. Gelfond and Wechsler will have the right from March 1 to March 31 in any, but only one, of 1999, 2000 and 2001, to notify the Company of their decision to require the Company to take action to liquidate their shares. The Company is required to use its best efforts to cause at its option either (i) the sale of the Company within a period of 180 days from receipt of the notice to liquidate, (ii) the filing of a registration statement pursuant to the U.S. Securities Act within a period of 120 days from its receipt of the notice to liquidate, or (iii) purchase the securities owned by Messrs. Gelfond and Wechsler for cash at the fair market value as agreed upon by the Company and Messrs. Gelfond and Wechsler within 20 days of the notice to liquidate, or in the event of their failure to reach an agreement, as determined by a procedure utilizing nationally recognized investment banking firms. In the event that Messrs. Gelfond and Wechsler exercise their rights to require the Company to take such action, they may be entitled to certain cash bonus payments as described above under "Executive Compensation -- Employment Contracts". If after March 1, 1999, Messrs. Gelfond and Wechsler own at least 25% of their original holdings, WP has recouped its original investment plus a 30% compounded annual return on such investment, and WP initiates the sale of the Company, then for 60 days thereafter, WP will enter into exclusive negotiations with Messrs. Gelfond and Wechsler, and for another 60 days thereafter WP may not enter into an agreement for the sale of the Company to a third party.

WP and Messrs. Gelfond and Wechsler each have certain rights under the Shareholders Agreement to cause the Company to use its best efforts to register their securities under the U.S. Securities Act. Currently, WP is entitled to effect up to four demand registrations and Messrs. Gelfond and Wechsler are entitled to make two such demand registrations. WP, Messrs. Gelfond and Wechsler and the Co-investors (as defined in the Shareholders Agreement) also have unlimited piggy-back rights to register their securities under the Shareholders Agreement whenever the Company proposes to register any securities under the U.S. Securities Act, other than the registration of securities pursuant to an initial public offering or the registration of securities upon Form S-4 or S-8 under the U.S. Securities Act or filed in connection with an exchange offer or an offering of securities solely to the Company's existing shareholders.

Mr. Trumbull and the former shareholders of the Company have substantially similar piggy-back registration rights that commenced on March 1, 1996 pursuant to the terms of the Selling Shareholders' Agreement (as defined below).

WP, Messrs. Gelfond, Wechsler and Trumbull, and the former shareholders of Predecessor Imax have entered into another shareholders' agreement (the "Selling Shareholders' Agreement") which includes, among other things, registration rights, tag along rights and drag along rights.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

##### STANDSTILL AGREEMENT

Under the terms of the Standstill Agreement (the "Standstill Agreement") between WP and the Company, WP is entitled to designate three persons for nomination to the Board of Directors, two of whom must be Canadian citizens. To date, WP has designated Miles Nadal, Murray Koffler and Marc Utay. The Standstill Agreement also provides that through 1999, WP will not vote in any election for directors for any person who is not nominated by the then current Board of Directors, participate in or facilitate proxy contests, participate in a "group" as defined pursuant to Section 13(d) of the U.S. Securities Exchange Act of 1934, or attempt to influence the Company except through normal Board of Directors' processes. If the Company fails to exceed specified targets which escalate in each of the years 1994 through 1998, the provisions of the Standstill Agreement described above will terminate, the size of the Board will be expanded to fifteen directors and WP will have the right to designate three of the five individuals to be advisors ("CEO Advisors") to the CEO and the Board of Directors. The specified targets of the Company are based upon, among other things, revenues derived from new theater system leases and films commenced after the initial public offering of common shares of the Company and selling, general and administrative and research and development costs (excluding those associated with Ridefilm Corporation).

The Articles of the Company provide that if the Board of Directors appoints CEO Advisors to the CEO and the Board of Directors with respect to the extraordinary matters set forth below (the "Extraordinary Matters"), then any action of the Board of Directors with respect to an Extraordinary Matter requires the unanimous approval of the directors unless the CEO Advisors have unanimously recommended that the Board of Directors approve the action, in which case a simple majority of the Board of Directors is required to approve the action. The By-laws of the Company provide that (A) the CEO Advisors are comprised of three or five individuals; (B) the CEO Advisors have the responsibility of being available to the CEO to consult with him on the Extraordinary Matters prior to the implementation of any decisions related to such matters, and prior to any request that the Board of Directors consider any such matters; (C) the CEO is required to consult with the CEO Advisors on the Extraordinary Matters prior to the implementation of any decisions related to such matters, and prior to any request that the Board of Directors consider any such matters; (D) the CEO Advisors have the responsibility of being available to consult with the Board of Directors on any Extraordinary Matters and they may provide the Board of Directors with their views on any such matters, and (E) the CEO Advisors have no power to make any decisions on any matters and are not a committee of the Board of Directors for any purpose. Messrs. Wechsler and Gelfond and Mr. Townsend Ziebold, the designee of WP, currently serve as the CEO Advisors. Upon the Company's failure to meet the specified targets described above, WP would have the right under the Standstill Agreement to designate two additional individuals as CEO Advisors. Pursuant to the employment agreements described above under "Employment Agreements" each of Messrs. Wechsler and Gelfond are to be designated as CEO Advisors. Under the Standstill Agreement, WP has the right to designate one CEO Advisor and has so designated Mr. Ziebold. Under the Company's By-laws, the Board of Directors has the power to terminate a CEO Advisor, subject to the contractual obligations of the employment agreements and the Standstill Agreement.

The following decisions of the Board of Directors are considered "Extraordinary Matters": (a) hiring or firing the CEO or the Company's primary external lawyers or accountants; (b) incurring any capital expenditure in excess of Cdn. \$5 million; (c) incurring indebtedness in amount of Cdn. \$10 million or lending money to, or guaranteeing obligations of, others; (d) commencing or settling litigation other than in the ordinary course or that is likely to have material impact on the Company; (e) entering into contracts or transactions outside of the ordinary course of business providing for payments in any fiscal year in excess of Cdn. \$5 million; (f) disposing of any material single asset, or all or substantially all of the assets of the Company; (g) acquiring a substantial interest in any other entity (other than joint ventures under Cdn. \$10 million) or entering into any major strategic alliance; (h) changing the nature of the Company's business or entering into new line of business; (i) entering into or changing terms of any agreements or transactions with WP, Messrs. Gelfond or Wechsler; (j) issuing any shares of capital stock; (k) doing or permitting any act whereby the Company would be bankrupt; (l) approving annual budgets and operating targets; and (m) hiring or firing any officer or employee of the Company paid more than Cdn. \$175,000 per annum (increased by 6% per annum beginning with the end of the financial year ended December 31, 1994).

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

The consolidated financial statements filed as part of this Report are included in Part II.

(a)(2) Financial Statement Schedules

No financial statement schedules are required to be filed as part of this Report.

(a)(3) Exhibits

The Items listed as Exhibits 10.1 to 10.11 relate to management contracts or compensatory plans or arrangements.

EXHIBIT

No. DESCRIPTION

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- 2.1 Share Purchase Agreement, dated as of January 3, 1994 (the "Share Purchase Agreement") among WGIM Acquisition Corporation, and the Sellers (as defined therein). Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form F-1 (File No. 33-77536) (the "Registration Statement").
- 2.2 Amendment, dated as of February 2, 1994, to the Share Purchase Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, and the Sellers. Incorporated by reference to Exhibit 2.2 to the Registration Statement.
- 2.3 Agreement, dated as of December 3, 1993, among Douglas Trumbull, The Trumbull Company, Inc., and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 2.3 to the Registration Statement.
- 2.4 Agreement and Plan of Merger and Reorganization, dated as of March 1, 1994, among WGIM Acquisition Corporation, Gelfco Inc., The Trumbull Company, Inc. and Douglas Trumbull. Incorporated by reference to Exhibit 2.4 to the Registration Statement.
- 2.5 Purchase Agreement, dated as of December 30, 1993, between Tyringham and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 2.5 to the Registration Statement.
- 3.1 Articles of Incorporation of Imax Corporation. Incorporated by reference to Exhibit 3.1 to the Registration Statement.
- 3.2 Bylaw No. 1 of Imax Corporation. Incorporated by reference to Exhibit 3.2 to the Registration Statement.
- 4.1 Amended and Restated Subscription Agreement, dated as of January 3, 1994, between WGIM Acquisition Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 4.1 to the Registration Statement.
- 4.2 Warrant Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 4.2 to the Registration Statement.
- 4.3 Amended and Restated Preferred Stock and Warrant Purchase Agreement, dated as of January 3, 1994, by and among WGIM Acquisition Corporation, Wasserstein Perella Partners, L.P. and Wasserstein Perella Offshore Partners, L.P. Incorporated by reference to Exhibit 4.3 to the Registration Statement.
- 4.4 Warrant Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation, Wasserstein Perella Partners, L.P. and Wasserstein Perella Offshore Partners, L.P. Incorporated by reference to Exhibit 4.4 to the Registration Statement.

## EXHIBIT

No.	DESCRIPTION
4.5	Subscription Agreement, dated as of March 1, 1994, by and among WPPN, Wasserstein Perella Management Partners, Inc., Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P. and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 4.5 to the Registration Statement.
4.6	Share Option Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 4.6 to the Registration Statement.
4.7	Amended and Restated Shareholders' Agreement, dated as of June 16, 1994 (the "Shareholders' Agreement"), by and among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., Richard L. Gelfond and Bradley J. Wechsler, Revere Equity Corp. and Chemical Equity Associates. Incorporated by reference to Exhibit 4.7 to Form 10-K/A for the year ended December 31, 1994.
4.8	Standstill Agreement, dated as of June 16, 1994, among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P. and WPPN, Inc. Incorporated by reference to Exhibit 4.8 to Form 10-K/A for the year ended December 31, 1994.
4.9	Shareholders' Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, the Selling Shareholders as defined therein, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., Bradley J. Wechsler, Richard L. Gelfond and Douglas Trumbull (the "Selling Shareholders' Agreement"). Incorporated by reference to Exhibit 4.9 to the Registration Statement.
4.10	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement. Incorporated by reference to Exhibit 4.10 to the Registration Statement.
4.11	Letter, dated as of January 3, 1994, from WP and GW Shareholders (as defined in the Selling Shareholders' Agreement) to Douglas Trumbull. Incorporated by reference to Exhibit 4.11 to the Registration Statement.
4.12	Note Purchase Agreement, dated February 22, 1994, between WGIM Acquisition Corporation and Wasserstein Perella Securities, Inc. Incorporated by reference to Exhibit 10.1 to the Registration Statement.
4.13	Indenture, dated as of March 1, 1994, between WGIM Acquisition Corporation and Continental Bank, National Association, as Trustee. Incorporated by reference to Exhibit 10.2 to the Registration Statement.
4.14	Exchange and Registration Rights Agreement, dated as of March 1, 1994, by and between WGIM Acquisition Corporation and Wasserstein Perella Securities, Inc. Incorporated by reference to Exhibit 10.3 to the Registration Statement.
4.15	Indenture, dated as of April 9, 1996, between Imax Corporation and Chemical Bank, as Trustee, related to the issue of the 5 3/4% Convertible Subordinated Notes due April 1, 2003. Incorporated by reference to Exhibit 4.3 to Amendment No.1 to the Company's Registration Statement on Form F-3 (File No.333-5212).
	Registrant agrees to provide copies of instruments with respect to long-term debt and its working capital facility, which do not exceed 10 % of the total assets of the registrant and its subsidiaries on a consolidated basis, to the Commission upon request.
10.1	Restated Employment Agreement, dated as of March 1, 1994, between Ridefilm Theaters Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 10.5 to the Registration Statement.
10.2	Consulting Agreement, dated as of March 1, 1994, between Berkshire Motion Picture Inc., and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 10.6 to the Registration Statement.
*10.3	Consulting Agreement, dated as of June 11, 1997, between Imax Corporation and I. Graeme Ferguson.



EXHIBIT No.	DESCRIPTION
*10.4	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Bradley J. Wechsler.
*10.5	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Richard L. Gelfond.
*10.6	Employment Agreement, dated as of January 16, 1991, and amending letter of August 31, 1992 between Imax Corporation and John M. Davison.
*10.7	Employment Agreement, dated as of July 15, 1997 between David Keighley Productions 70MM Inc. and David B. Keighley.
10.8	Form of Imax Corporation Amended and Restated Share Option Plan. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No.333-5720).
10.9	Share Option Agreement, dated as of April 8, 1994 between Imax Corporation and John M. Davison. Incorporated by reference to Exhibit 10.15 to the Registration Statement.
10.10	Employment Agreement, dated August 8, 1995, between Imax Corporation and Christian Jorg. Incorporated by reference to Exhibit 10.13 to Form 10-K for the year ended December 31, 1996.
10.11	Employment Agreement, dated December 13, 1995, between Imax Corporation and Andrew Gellis. Incorporated by reference to Exhibit 10.14 to Form 10-K for the year ended December 31, 1996.
*21	Subsidiaries of Imax Corporation.
*23	Consent of Coopers & Lybrand.
*24	Power of Attorney of certain directors.

\* Filed herewith

(b) No reports on Form 8-K were filed by the registrant during the quarter ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Imax Corporation

By /s/ John M. Davison  
-----  
John M. Davison  
Executive Vice President, Operations and  
Chief Financial Officer

Date: March 27, 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 27, 1998.

/s/ Bradley J. Wechsler ----- Bradley J. Wechsler Director and Co-Chief Executive Officer (Principal Executive Officer)	/s/ Richard L. Gelfond ----- Richard L. Gelfond Director and Co-Chief Executive Officer (Principal Executive Officer)
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/s/ John M. Davison ----- John M. Davison Director and Executive Vice President, Operations and Chief Financial Officer (Principal Financial Officer)	Garth M. Girvan* ----- Garth M. Girvan Director	I. Graeme Ferguson* ----- I. Graeme Ferguson Director
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/s/ Michael M. Davies ----- Michael M. Davies Vice President and Corporate Controller (Principal Accounting Officer)	Philip C. Moore* ----- Philip C. Moore Director	Miles Nadal* ----- Miles Nadal Director
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Michael Fuchs* ----- Michael Fuchs Director	Murray B. Koffler* ----- Murray B. Koffler Director	Marc A. Utay* ----- Marc A. Utay Director
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By: \* /s/ John M. Davison  
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John M. Davison  
(as attorney-in-fact)

EXHIBIT INDEX

The Items listed as Exhibits 10.1 to 10.14 relate to management contracts or compensatory plans or arrangements.

Exhibit No. -----	Description -----
2.1	Share Purchase Agreement, dated as of January 3, 1994 (the "Share Purchase Agreement") among WGIM Acquisition Corporation, and the Sellers (as defined therein). Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form F-1 (File No. 33-77536) (the "Registration Statement").
2.2	Amendment, dated as of February 2, 1994, to the Share Purchase Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, and the Sellers. Incorporated by reference to Exhibit 2.2 to the Registration Statement.
2.3	Agreement, dated as of December 3, 1993, among Douglas Trumbull, The Trumbull Company, Inc., and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 2.3 to the Registration Statement.
2.4	Agreement and Plan of Merger and Reorganization, dated as of March 1, 1994, among WGIM Acquisition Corporation, Gelfco Inc., The Trumbull Company, Inc. and Douglas Trumbull. Incorporated by reference to Exhibit 2.4 to the Registration Statement.
2.5	Purchase Agreement, dated as of December 30, 1993, between Tyringham and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 2.5 to the Registration Statement.
3.1	Articles of Incorporation of Imax Corporation. Incorporated by reference to Exhibit 3.1 to the Registration Statement.
3.2	Bylaw No. 1 of Imax Corporation. Incorporated by reference to Exhibit 3.2 to the Registration Statement.
4.1	Amended and Restated Subscription Agreement, dated as of January 3, 1994, between WGIM Acquisition Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 4.1 to the Registration Statement.
4.2	Warrant Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Bradley J. Wechsler. Incorporated by reference to Exhibit 4.2 to the Registration Statement.
4.3	Amended and Restated Preferred Stock and Warrant Purchase Agreement, dated as of January 3, 1994, by and among WGIM Acquisition Corporation, Wasserstein Perella Partners, L.P. and Wasserstein Perella Offshore Partners, L.P. Incorporated by reference to Exhibit 4.3 to the Registration Statement.
4.4	Warrant Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation, Wasserstein Perella Partners, L.P. and Wasserstein Perella Offshore Partners, L.P. Incorporated by reference to Exhibit 4.4 to the Registration Statement.

Exhibit No.	Description
4.5	Subscription Agreement, dated as of March 1, 1994, by and among WPPN, Wasserstein Perella Management Partners, Inc., Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P. and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 4.5 to the Registration Statement.
4.6	Share Option Agreement, dated as of March 1, 1994, between WGIM Acquisition Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 4.6 to the Registration Statement.
4.7	Amended and Restated Shareholders' Agreement, dated as of June 16, 1994 (the "Shareholders' Agreement"), by and among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN, Inc., Richard L. Gelfond and Bradley J. Wechsler, Revere Equity Corp. and Chemical Equity Associates. Incorporated by reference to Exhibit 4.7 to Form 10-K/A for the year ended December 31, 1994.
4.8	Standstill Agreement, dated as of June 16, 1994, among Imax Corporation, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P. and WPPN, Inc. Incorporated by reference to Exhibit 4.8 to Form 10-K/A for the year ended December 31, 1994.
4.9	Shareholders' Agreement, dated as of January 3, 1994, among WGIM Acquisition Corporation, the Selling Shareholders as defined therein, Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., Bradley J. Wechsler, Richard L. Gelfond and Douglas Trumbull (the "Selling Shareholders' Agreement"). Incorporated by reference to Exhibit 4.9 to the Registration Statement.
4.10	Amendment, dated as of March 1, 1994, to the Selling Shareholders' Agreement. Incorporated by reference to Exhibit 4.10 to the Registration Statement.
4.11	Letter, dated as of January 3, 1994, from WP and GW Shareholders (as defined in the Selling Shareholders' Agreement) to Douglas Trumbull. Incorporated by reference to Exhibit 4.11 to the Registration Statement.
4.12	Note Purchase Agreement, dated February 22, 1994, between WGIM Acquisition Corporation and Wasserstein Perella Securities, Inc. Incorporated by reference to Exhibit 10.1 to the Registration Statement.
4.13	Indenture, dated as of March 1, 1994, between WGIM Acquisition Corporation and Continental Bank, National Association, as Trustee. Incorporated by reference to Exhibit 10.2 to the Registration Statement.
4.14	Exchange and Registration Rights Agreement, dated as of March 1, 1994, by and between WGIM Acquisition Corporation and Wasserstein Perella Securities, Inc. Incorporated by reference to Exhibit 10.3 to the Registration Statement.
4.15	Indenture, dated as of April 9, 1996, between Imax Corporation and Chemical Bank, as Trustee, related to the issue of the 5 3/4% Convertible Subordinated Notes due April 1, 2003. Incorporated by reference to Exhibit 4.3 to Amendment No.1 to the Company's Registration Statement on Form F-3 (File No.333-5212).
	Registrant agrees to provide copies of instruments with respect to long-term debt and its working capital facility, which do not exceed 10 % of the total assets of the registrant and its subsidiaries on a consolidated basis, to the Commission upon request.
10.1	Restated Employment Agreement, dated as of March 1, 1994, between Ridefilm Theaters Corporation and Douglas Trumbull. Incorporated by reference to Exhibit 10.5 to the Registration Statement.
10.2	Consulting Agreement, dated as of March 1, 1994, between Berkshire Motion Picture Inc., and WGIM Acquisition Corporation. Incorporated by reference to Exhibit 10.6 to the Registration Statement.
*10.3	Consulting Agreement, dated as of June 11, 1997, between Imax Corporation and I. Graeme Ferguson.

Exhibit No.	Description
- - - -	- - - - -
*10.4	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Bradley J. Wechsler.
*10.5	Employment Agreement, dated as of January 1, 1997, between Imax Corporation and Richard L. Gelfond.
*10.6	Employment Agreement, dated as of January 16, 1991, and amending letter of August 31, 1992 between Imax Corporation and John M. Davison.
*10.7	Employment Agreement, dated as of July 15, 1997 between David Keighley Productions 70MM Inc. and David B. Keighley.
10.8	Form of Imax Corporation Amended and Restated Share Option Plan. Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No.333-5720).
10.9	Share Option Agreement, dated as of April 8, 1994 between Imax Corporation and John M. Davison. Incorporated by reference to Exhibit 10.15 to the Registration Statement.
10.10	Employment Agreement, dated August 8, 1995, between Imax Corporation and Christian Jorg. Incorporated by reference to Exhibit 10.13 to Form 10-K for the year ended December 31, 1996.
10.11	Employment Agreement, dated December 13, 1995, between Imax Corporation and Andrew Gellis. Incorporated by reference to Exhibit 10.14 to Form 10-K for the year ended December 31, 1996.
*21	Subsidiaries of Imax Corporation.
*23	Consent of Coopers & Lybrand.
*24	Power of Attorney of certain directors.

\* Filed herewith

June 11, 1997

Graeme Ferguson  
RR # 1  
Baysville, Ontario  
POB 1A0 Canada

Dear Graeme:

Re: Consulting Agreement  
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The letter will confirm the agreement between you (the "Consultant") and Imax Corporation (the "Corporation") relating to your services as consultant and filmmaker to the Corporation.

1. Consulting Services The Corporation shall retain the Consultant to  
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render the following services as consultant and filmmaker to the Corporation, under the guidance and direction of the Corporation's Chief Executive Officer(s): (a) producing film projects for the Corporation; (b) overseeing the production and post-production activities on film projects developed by the Consultant; (c) meeting with the Corporation's employees and/or with third parties to discuss IMAX production and/or direction techniques; (d) providing general business advice and counsel to the Corporation; (e) making appropriate introductions to boards, institutions and individuals necessary or useful in the furtherance of the Corporation's businesses; and (f) such other consultative and independent producer services as may from time to time be agreed upon between the parties.

2. Previous Film Projects During the term of a Consulting Agreement between  
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the Consultant and the Corporation dated December 31, 1993 (the "1993 Agreement"), the Consultant produced or co-produced two "Designated Pictures": "Destiny in Space" and "Into the Deep" (The Last Wilderness) as well as the "Subsequent Pictures": "Cosmic City", "L-5 - First City in Space", and "Mission to Mir" (released in May 1997).

3. Performance The Consultant shall render performance of the services

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hereunder to the best of his ability and in a competent and professional manner. The Consultant shall devote one half of his time, attention and ability to the businesses of the Corporation, and in particular all services of the Consultant relating to film-making shall be exclusively rendered to the Corporation during the term of this Agreement; provided that the parties contemplate that they may in good faith agree in the future that the Consultant will spend either more or less than 50% of his time on the businesses of the Corporation, in which event the fees payable to the Consultant under this Agreement shall be renegotiated in good faith, but in any event the Consultant's services relating to film-making shall continue to be rendered exclusively to the Corporation.

4. Term The provision of services by the Consultant to the Corporation

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hereunder shall commence on the date hereof and shall continue until 1 year from such date; provided that the term of this Agreement shall be renewable by the parties by mutual written consent. Upon completion of this contract, the terms of Paragraph 6 "Incentive Compensation", shall survive.

5. Fee for Services The Corporation shall pay to the Consultant for all

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services provided by the Consultant under this Agreement a fee at the rate of Cdn\$137,500 per year. The Consultant specifically acknowledges that the Corporation shall be entitled to receive or retain all amounts payable pursuant to the production budgets for the Designated Pictures (as defined in Paragraph 2 above), or the Subsequent Pictures (as defined in Paragraph 2 above), or any future film projects that are set up during the term of this Agreement, in respect of the services or expenses of the Consultant, as well as an overhead and profit allowance.

6. Incentive Compensation In addition to the basic fee set out in

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Paragraph 5, the Corporation shall have an ongoing obligation to pay to the Consultant 7-1/2% of the "Sponsor Overages" of the Subsequent Pictures (as defined in Paragraph 2 above) and 12- 1/2% of the "Imax Distribution Profits" of the Designated Pictures and the Subsequent Pictures. In addition, the Corporation shall pay to the Consultant 7 1/2% of the "Sponsor Overages" and 12 1/2% of the "Imax Distribution Profits" of any future film projects developed and produced by the Consultant pursuant to this Agreement. "Sponsor Overages" means the amount, if any, by which contributions by third party sponsors to a particular film project exceed the production costs of the film project (including overhead and interest as described in (iv) below); and "Imax Distribution Profits" means all revenue received by the Corporation, other than Sponsor Overages (and, with respect to the Designated Pictures and the Subsequent Pictures, excluding merchandising receipts), derived from the distribution and exploitation of the respective film project, after deduction and repayment of (i) all distribution, promotion and marketing fees and expenses, including but not limited to a 15% distribution fee to the Corporation; (ii) all taxes deducted at source; (iii) all residual and royalty payments required pursuant to any collective agreements or otherwise; (iv) the audited costs of production of the film project plus an overhead allowance of 10%, together with interest on the amount of the foregoing covered by the Corporation at the greater of (1) the prime commercial lending rate set from time to time by the Corporation's principal bankers for Canadian dollar loans in Canada, or (2) the actual borrowing rate payable by the Corporation for covering such amount;

and (v) all shares of revenue payable to third parties advancing funds or deferring fees or providing services in connection with the respective film project; provided that, notwithstanding the foregoing, the Consultant's share of Imax Distribution Profits from (A) any one of the Designated Pictures and the Subsequent Pictures will first offset (a) losses, if any, from any other of the Designated Pictures or the Subsequent Pictures where Imax Distribution Profits would otherwise be payable, and (b) amounts, if any, that film funding payments have not been sufficient for the Corporation to recover payments made by it pursuant to Paragraphs 2, 6, 7 and Schedule A of the 1993 Agreement; and (B) any one of the future film projects developed pursuant to this Agreement will first offset (a) losses, if any, from any other of such future films where Imax Distribution Profits would otherwise be payable, and (b) amounts, if any, that film funding payments have not been sufficient for the Corporation to recover payments made by it pursuant to Paragraphs 5 and 7 (and, to the extent any such future films are produced in conjunction with the Corporation's subsidiary, Imax Space Ltd., a reasonable allocation of the general expenses and overhead of Imax Space Ltd. attributed to such films, as determined after consultation with the Consultant) provided further that in the case of any particular future film project which is produced with the primary intention of generating profits in the projection division of the Corporation rather than the film-making division, the parties agree to discuss in good faith the extent to which losses from such film project will be subject to the foregoing proviso. The Corporation shall provide quarterly reports to the Consultant commencing with the quarter ended June 30, 1997 and make payments when due. The Consultant shall have the right to a reasonable audit annually.

7. General Expenses and Overhead            The Corporation shall reimburse the  
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Consultant for all reasonable expenses actually and properly incurred by the Consultant (including continuing one half the current auto allowance) in the performance of the services hereunder, to a maximum amount mutually agreed upon by the Corporation and the Consultant in advance of each year, provided that all such expenses shall be paid in accordance with the normal practices of the Corporation in force from time to time. In addition, the Corporation agrees to reimburse the Consultant for up to Cdn\$3,750.00 annually in direct out-of-pocket expenses actually incurred by the Consultant for the Consultant's personal business and tax planning advice. The Consultant's principal office shall be at his home. In addition, the Corporation shall provide the Consultant with a private office in Toronto or at its Sheridan Park offices in Mississauga. The Consultant shall be entitled to at least business class air travel, subject to availability.

8. Development Expenses            With respect to new film projects developed for  
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the Corporation by the Consultant, the Consultant agrees to seek approval for the development of each such project from the Corporation's Chief Executive Officer(s). The Corporation shall reimburse the Consultant for reasonable, direct, out-of-pocket expenses actually expended by the Consultant for the development of such approved film projects under this Agreement, provided that such expenses receive the prior approval of the Corporation. Reimbursement shall be made either (a) to the Consultant monthly following receipt by the Corporation of proper invoices and vouchers together with reasonably detailed report setting out the progress of the various film projects and the application of expenses, or (b) directly to the third parties respectively entitled to payment, upon approval by the Consultant. There are no projects currently in development for which the Consultant is responsible.



9. Benefits The Corporation shall use all reasonable efforts to ensure  
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that the Consultant shall be entitled to participate in all of the Corporation's insured benefit plans generally available to its employees from time to time, in accordance with the terms thereof. The Consultant acknowledges receiving a written summary of the terms of such benefit plans. In addition, the Corporation shall use all reasonable efforts to ensure that the Consultant shall be entitled to participate in the Corporation's existing retirement benefits, as set out in Schedule A, upon ceasing to be a consultant.

10. Vacation During the period that the Consultant is rendering services  
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under this Agreement, the Corporation acknowledges that the Consultant shall be entitled to 5 weeks vacation per annum, on a one-half time basis. Such vacation shall be taken at a time or times acceptable to the Corporation having regard to its operations.

11. Funding Film Projects All financing arrangements for film projects are  
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expressly subject to the Corporation's approval. Nothing in this Agreement shall obligate the Corporation to produce, raise production financing for, or otherwise use or exploit any film project developed or otherwise contributed to by the Consultant under this Agreement.

12. Termination Rights If:  
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(a) the Corporation is sold or merged, or if control of the Corporation changes, or  
  
(b) the Corporation has approved a particular film project or course of action with respect to a film project, and the Consultant and third parties with whom the Consultant has interacted on behalf of the Corporation have relied upon such approval or course of action, but the Corporation subsequently rescinds such approval or materially changes its course of action with respect to such project,

the Consultant shall have the right within 30 days following the occurrence of either such event to terminate the term of this Agreement by 90 days written notice to the Corporation, subject to his ongoing obligations to deliver, in a professional and workmanlike fashion, projects then currently underway other than the disputed project, so long as the Corporation continues to duly provide production funding for such projects. Upon such termination, all obligations of the parties, except those set out in Paragraph 6 and Paragraphs 13 to 17 inclusive, shall cease; provided that so long as the Consultant is duly providing services with respect to projects then currently underway other than the disputed project, the Consultant shall be entitled to compensation for such services to be negotiated in good faith by the parties as a pro-rated percentage of the basic fee set out in Paragraph 5.

13. Indemnity The Consultant shall indemnify and save the Corporation  
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harmless from and against all claims, actions, losses, expenses, costs or damages of every nature and kind whatsoever which the Corporation or its officers, employees or agents may suffer as a result of the breach by the Consultant of the provisions of Paragraph 16 of this Agreement. As and from the date of commencement of the term of the Agreement, except as otherwise specifically provided in this Agreement, the Consultant waives all rights to future

compensation from the Corporation and its subsidiaries and associate companies, and releases and forever discharges the Corporation from any and all liability in connection therewith.

14. Non-disclosure The Consultant undertakes that the Consultant shall not

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(either during the term of this Agreement or at any time thereafter) use or disclose to any third party any information relating to the private or confidential affairs of the Corporation or relating to any secrets of the Corporation, other than for the Corporation's purposes.

15. Grant of Rights The Consultant hereby: (a) grants to the Corporation all

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copyrights, patent rights and other rights in all work furnished or created by the Consultant pursuant to this Agreement; (b) agrees to sign all documents which may be required to confirm the Corporation's absolute ownership of such work; (c) waives the moral rights associated with such work within the meaning of the Canadian Copyright Act; and (d) grants to the Corporation the rights to and to license others to use the name, likeness, biography and other identifications of the Consultant in connection with any and all uses and promotions of such work and derivatives thereof. Without limiting the generality of the foregoing, all rights of whatsoever nature and kind (now or hereafter known) in the Designated Pictures, the Subsequent Pictures, and any and all other film projects developed or contributed to by the Consultant pursuant to this Agreement shall be, from the inception of the creation thereof, the exclusive property of the Corporation, and for the purposes of the United States Copyright Act same shall be deemed to constitute "works-made-for-hire"; provided that in the event that for whatever reason the Consultant retains any rights in any such film projects, the Consultant hereby assigns same exclusively to the Corporation and free, clear and unencumbered.

16. Not Employee The Consultant will receive payments under this Agreement

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on the basis of a consultant on payroll, but the Consultant warrants and represents to the Corporation and agrees that he is not an employee of the Corporation.

17. Non-Competition and Confidentiality The Consultant shall not, without

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the prior written consent of the Corporation, within North America at any time for a period of 18 months following the date of termination of this Agreement, for whatever reason and with or without cause, either directly or indirectly carry on or be engaged in the business of (i) creating, distributing or exhibiting large-screen large format audio-visual and related sound systems, or (ii) directing, producing or distributing large format films, unless the Corporation has been provided with the opportunity to participate in such project and declined, and such films are not being produced for or on behalf of direct competitors of the Corporation in the large format theatre business ("direct competitors"). Nothing herein shall be construed as preventing the Consultant from producing or directing large format films where the Corporation has declined to participate and the film is not being produced for or on behalf of a direct competitor, or from producing or directing 35mm format films, following the end of the term of this Agreement.

The Consultant shall not, without the prior written consent of the Corporation, directly or indirectly, disclose or use any secret or confidential information that he may learn or has learned by reason of his association with the Corporation or any of its subsidiaries or affiliates.

18. Severability If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provisions or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

19. General This Agreement shall enure to the benefit of and be binding upon the heirs, executors, administrators and legal personal representatives of the Consultant and the successors and assigns of the Corporation, respectively. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreement between the parties hereto with respect thereto, including the 1993 Agreement (which is agreed to have been extended from its original term to and until the date of this Agreement), except that this Agreement does not cancel Paragraph 6A, in the 1993 Agreement: "Incentive Compensation" with respect to the Designated Pictures and the Subsequent Pictures which are specifically carried forward in Paragraph 6 hereof. There are no representations, warranties, forms, conditions, undertakings or collateral agreements, express implied or statutory between the parties other than as expressly set forth in this Agreement. No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.

20. Governing Law This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

If the foregoing correctly sets forth your understanding of the agreement, kindly so confirm by signing in the appropriate space below, so as to make this letter a valid, binding and enforceable agreement between us.

Yours sincerely,

Imax Corporation

Per: /s/ Bradley J. Wechsler  
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Agreed and Accepted:

/s/ I. Graeme Ferguson  
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I. Graeme Ferguson

Date: 6/18/97  
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SCHEDULE A  
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RETIREMENT PLAN II

ELIGIBILITY

- . Employees age 60 years or older with 12 years continuous service whose final position was that of Founder, Principal, CEO, Vice President, or member of the Management Group (or comparable position), are eligible for this plan.
- . All employees who were members of the Management Group on September 1, 1993, will remain eligible for this plan when they retire, regardless of a change in their position or role.

LIFE INSURANCE

- . AMOUNT - \$8,000

DENTAL

- . Retirement dental benefits are the same as dental benefits for non-retired employees.

EXTENDED HEALTH

- . Lifetime coverage is provided for eligible retirees and their dependents subject to an annual maximum of \$10,000 per person.
- . Travel Assistance benefits are not included.
- . The vision and hearing care and professional services are the same as for non-retired employees subject to the \$10K annual maximum.

LONG TERM DISABILITY

- . Long term disability benefits are not available to retired employees.

ACCIDENTAL DEATH AND DISMEMBERMENT

- . Accidental Death and Dismemberment benefits are not available to retired employees.

EMPLOYMENT AGREEMENT dated and effective as of January 1, 1997 (the "Agreement"), between IMAX CORPORATION, a corporation organized under the laws of Canada ("Imax"), and BRADLEY J. WECHSLER (the "Executive").

WHEREAS, the Executive is currently the Chairman and Co-Chief Executive Officer of Imax and is employed pursuant to an Employment Agreement dated as of March 1, 1994, as amended by a resolution of the Imax Board of Directors (the "Board") dated January 31, 1995 and by a letter agreement dated September 14, 1995; and

WHEREAS, the Board has approved revised terms of employment, effective January 1, 1997, on February 13, 1997 and on May 6, 1997; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to provide services to Imax, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. (a) Imax hereby employs the Executive, and the Executive hereby agrees to serve, in accordance with the terms and conditions hereof.

(b) The Executive's compensation as Co-Chief Executive Officer under this Agreement shall commence on the effective date hereof (the "Commencement Date"), and shall continue until the second anniversary of the Commencement Date (the "Employment Term"). Nine months prior to such second anniversary, Imax shall inform the Executive of its intent to extend the Employment Term. Imax shall so inform the Executive after receiving the recommendation of the CEO Advisors (as defined in Imax's Articles of Incorporation). If Imax notifies the Executive that it does not intend to extend the Employment Term, then Imax, with the CEO Advisors and a non-management committee of the Board, shall initiate an executive search process. Subject to the immediately preceding sentence, upon such second anniversary and thereafter upon each successive anniversary of the Commencement Date, the Employment Term may be extended by written agreement of the parties for additional one-year periods.

(c) During the Employment Term, the Executive shall perform such services with respect to Imax's business as may be reasonably requested from time to time by the Board and which are consistent with the Executive's status and the function

performed by individuals holding a similar position with similarly situated companies, and agrees to act in accordance with the written instructions of the Board. Such services shall be performed primarily within the United States.

(d) The Executive shall devote that portion of his business time that is necessary to perform the services reasonably required of him hereunder, subject to any conflicting engagements the Executive may have. The Executive agrees that during the Employment Term (i) he will use reasonable efforts to resolve any conflicting engagements and (ii) he will remain actively involved in Imax's business.

(e) As compensation for the services to be performed by the Executive hereunder during the Employment Term, the Executive shall be entitled to receive a base salary ("Base Salary") of U.S. \$710,000 per annum, payable no less

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frequently than monthly in accordance with Imax's payroll practices.

(f) In addition to the Base Salary, the Executive shall be eligible to participate during the Employment Term in the annual incentive bonus plan adopted by the Board. The Executive shall be paid a bonus in respect of each of 1997 and 1998 at a standardized level of U.S. \$710,000 per year (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors and the Compensation Committee (the "Committee") of the Board, as set forth below, the Committee shall determine the actual bonus paid, which shall be a multiple of the Standard ranging from 0.0x - 2.0 x, provided, however, that the multiple shall be at least 1.0x if Imax's reported earnings per share (EPS) for the year meet the approved budget target (except that, if in the sole discretion of the Committee, the achievement EPS target was at the expense of, or to the material detriment of, other(s) of the qualitative and quantitative measures set forth below, then such minimum shall not apply). The bonus shall be paid within 50 days of the applicable year end.

The determination by the Committee of the Executive's actual bonus for 1997 and for 1998 shall be consistent with the determination of the Executive's bonus for 1996, and shall consider the overall performance of Imax, taken as a whole.

Among the various factors the Committee shall consider in determining the bonus to be paid are: (i) the actual financial performance of Imax versus the approved budget for EBITDA, EPS, revenue growth, and/or other financial targets; and (ii) the Committee shall also take into account other qualitative factors including (in no order of importance): progress in theater signings, development of an enhanced management team, improved performance of the Ridefilm division, further advancement of Imax's film strategy, progress in "owned and operated" strategy, brand development, continued growth of the business, and other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

(g) At the beginning of each of 1997 and 1998, Imax shall grant the Executive the right to receive 15,000 common shares of Imax (the "Restricted Stock"). If such Restricted Stock may not be issued without shareholder approval, it shall be issued as "phantom stock". The Executive shall have the right to request the Restricted Stock be issued to him (or, if "phantom stock" is utilized, have payment made to him in an amount equal to the fair market value of such number of common shares of Imax on the date of such request), at any time after January 1, 1998 and January 1, 1999, respectively. The Restricted Stock shall be adjusted for stock splits and other similar events after the effective date hereof. The provisions of this Section 1(g) shall survive any termination of this Imax agrees to indemnify the Executive, on an after-tax basis, for any income taxes imposed by any taxing authority and resulting from any taxable benefit to the Executive with respect to the Restricted Stock (or "phantom stock") arising prior to the date of any such request. which arises prior to the date of any such request. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) The Executive has been granted effective January 2, 1997, in accordance with the terms of the Imax Stock Option Plan, 40,000 options to purchase common shares, which options were exercisable immediately upon grant and expire on January 1, 2004. The exercise price of such options in accordance with the Stock Option Plan is U.S. \$31.50. Effective January 2, 1998, the Executive shall be granted a further 40,000 options, exercisable immediately upon grant and expiring January 1, 2005. The exercise price of such options shall be determined in accordance with the Stock Option Plan.

All of the Executive's stock options shall be adjusted for stock splits and other similar events after the effective date hereof and shall contain other terms no less favorable to the Executive than the management stock options of Imax's other senior level executives. If the Executive shall voluntarily resign prior to the end of the Employment Term, all of the options granted in 1997 and 1998 shall be exercised by the Executive within 30 days of such resignation.

(i) The Executive shall, during the Employment Term, be eligible to receive employee benefits at a level not less than those established by Imax for, or made available to, its other key employees.

(j) Imax agrees to reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in the performance of his obligations under this Agreement for which documentation reasonably satisfactory to Imax is provided, including expenses relating to the Executive's travel to, and performance of duties in, Toronto, Canada.

(k) Any amounts payable to the Executive under this Agreement shall be subject to applicable withholding taxes, and such other deductions as may be required under applicable law.

2. Restrictions on Competitive Employment. During the Employment Term,

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absent Imax's prior written approval, the Executive shall not (as principal, agent, employee, consultant or otherwise), directly or indirectly, engage in activities with, or render services to, any business engaged or about to become engaged in the business of producing or distributing projection and sound systems or films for large screen theaters or designing or supplying motion simulation theaters or producing or distributing films or movie rides (collectively, "Competitive Business"); provided, however, that, notwithstanding

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the foregoing, the Executive may (i) have equity interests in companies engaged in a Competitive Business so long as he is not employed by and does not consult with such companies in areas related to the Competitive Business, (ii) render consulting services to or be employed by a company engaged in a Competitive Business so long as he is not employed in, or rendering services related to, the Competitive Business of such company or (iii) perform usual investment banking services for a company engaged in a Competitive Business.

3. Confidentiality. The Executive covenants and agrees with Imax that,

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subject to Section 2 above, he will not at any time, except in performance of his obligations to Imax hereunder or with the prior written consent of Imax, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with Imax or any of its subsidiaries. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's or any of its subsidiaries' products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the manner or under the subpoena or other process of law.

4. Assignment. Neither this Agreement nor any right, interest or

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obligation hereunder shall be assignable by the Executive without the prior written consent of Imax. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by Imax without the prior written consent of the Executive, except that Imax may assign this Agreement or any such right, interest or obligation to an affiliate of



Imax without consent of the Executive; provided, however, that no such assignment shall relieve Imax of any of its obligations hereunder.

5. Indemnification. (a) Imax shall hold the Executive harmless and indemnify the Executive, to the fullest extent permitted by applicable law, against any and all liabilities (and all expenses related thereto) incurred by the Executive as a result of, or in connection with, the services provided under this Agreement; provided, however, that such indemnification shall not apply with respect to any action taken by the Executive that (i) is contrary to the written instructions of the Board or (ii) constitutes gross negligence or willful misconduct. Imax shall maintain a director and officer's liability insurance policy covering the Executive and containing customary terms and conditions.

(b) Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any income taxes imposed by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States (collectively, "Taxes") with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such Taxes exceed the amount of Taxes that would have been imposed on such amounts had all of the services performed by the Executive under this Agreement been performed within the United States. Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any penalties or interest that are imposed on the Executive by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States as a result of Imax's failure to properly withhold any tax with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such penalties or interest are not attributable to the failure of the Executive to file any required tax returns or pay any required taxes or any other willful act or omission of the Executive.

6. Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, any successors to or permitted assigns of the parties hereto.

7. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, to the parties at the following address (or to such other address or addresses as either party shall have designated in writing to the other party hereto:)

(a) if to Imax:

2525 Speakman Drive

Mississauga, Ontario, Canada  
L5K 1B1  
Attention: General Counsel

(b) if to the Executive:

975 Park Avenue, Apt 6B  
New York, NY, 10028

8. Severability; Waiver. If any provision of this Agreement shall be

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determined to be invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such provision nor the validity of any other provision of this Agreement shall in any way be affected thereby. Failure to insist upon strict compliance with any term, covenant or condition hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of such right or power at any other time or times.

9. Injunctive Relief. Without intending to limit the remedies available

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to Imax or the Executive, as the case may be, in the event of a breach or threatened breach of any of the covenants contained in this Agreement, Imax or the Executive, as the case may be, shall be entitled to seek such injunctive relief as may be required specifically to enforce any such covenant.

10. Miscellaneous. This Agreement constitutes the entire agreement of the

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parties with respect to the subject matter hereof and supersedes and terminates all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. Notwithstanding the preceding sentence, nothing in this Agreement shall abrogate the Executive's entitlement to the Special Bonus payable after a sale of Imax or the exercise of the Executive's liquidation rights. Further, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and to the designation as a CEO Advisor under Imax's by-laws. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed in  
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accordance with the laws of the Province of Ontario and the laws of Canada  
applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, Imax and the Executive have duly executed and delivered  
this Agreement, as of the day and year first above written, on this 16th day of  
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May, 1997.

IMAX CORPORATION

By: /s/ John M. Davison  
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John M. Davison  
Executive Vice President, Operations  
and Chief Financial Officer

By: /s/ Michael M. Davies  
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Michael M. Davies  
Vice President and Corporate Controller

EXECUTIVE

/s/ Bradley J. Wechsler  
----- l.s.  
BRADLEY J. WECHSLER

EMPLOYMENT AGREEMENT dated and effective as of January 1, 1997 (the "Agreement"), between IMAX CORPORATION, a corporation organized under the laws of Canada ("Imax"), and RICHARD L. GELFOND (the "Executive").

WHEREAS, the Executive is currently the Vice-Chairman and Co-Chief Executive Officer of Imax and is employed pursuant to an Employment Agreement dated as of March 1, 1994, as amended by a resolution of the Imax Board of Directors (the "Board") dated January 31, 1995 and by a letter agreement dated September 14, 1995; and

WHEREAS, the Board has approved revised terms of employment, effective January 1, 1997, on February 13, 1997 and on May 6, 1997; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to provide services to Imax, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. (a) Imax hereby employs the Executive, and the Executive hereby agrees to serve, in accordance with the terms and conditions hereof.

(b) The Executive's compensation as Co-Chief Executive Officer under this Agreement shall commence on the effective date hereof (the "Commencement Date"), and shall continue until the second anniversary of the Commencement Date (the "Employment Term"). Nine months prior to such second anniversary, Imax shall inform the Executive of its intent to extend the Employment Term. Imax shall so inform the Executive after receiving the recommendation of the CEO Advisors (as defined in Imax's Articles of Incorporation). If Imax notifies the Executive that it does not intend to extend the Employment Term, then Imax, with the CEO Advisors and a non-management committee of the Board, shall initiate an executive search process. Subject to the immediately preceding sentence, upon such second anniversary and thereafter upon each successive anniversary of the Commencement Date, the Employment Term may be extended by written agreement of the parties for additional one-year periods.

(c) During the Employment Term, the Executive shall perform such services with respect to Imax's business as may be reasonably requested from time to time by the Board and which are consistent with the Executive's status and the function

performed by individuals holding a similar position with similarly situated companies, and agrees to act in accordance with the written instructions of the Board. Such services shall be performed primarily within the United States.

(d) The Executive shall devote that portion of his business time that is necessary to perform the services reasonably required of him hereunder, subject to any conflicting engagements the Executive may have. The Executive agrees that during the Employment Term (i) he will use reasonable efforts to resolve any conflicting engagements and (ii) he will remain actively involved in Imax's business.

(e) As compensation for the services to be performed by the Executive hereunder during the Employment Term, the Executive shall be entitled to receive a base salary ("Base Salary") of U.S. \$710,000 per annum, payable no less

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frequently than monthly in accordance with Imax's payroll practices.

(f) In addition to the Base Salary, the Executive shall be eligible to participate during the Employment Term in the annual incentive bonus plan adopted by the Board. The Executive shall be paid a bonus in respect of each of 1997 and 1998 at a standardized level of U.S. \$710,000 per year (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors and the Compensation Committee (the "Committee") of the Board, as set forth below, the Committee shall determine the actual bonus paid, which shall be a multiple of the Standard ranging from 0.0x - 2.0 x, provided, however, that the multiple shall be at least 1.0x if Imax's reported earnings per share (EPS) for the year meet the approved budget target (except that, if in the sole discretion of the Committee, the achievement EPS target was at the expense of, or to the material detriment of, other(s) of the qualitative and quantitative measures set forth below, then such minimum shall not apply). The bonus shall be paid within 50 days of the applicable year end.

The determination by the Committee of the Executive's actual bonus for 1997 and for 1998 shall be consistent with the determination of the Executive's bonus for 1996, and shall consider the overall performance of Imax, taken as a whole.

Among the various factors the Committee shall consider in determining the bonus to be paid are: (i) the actual financial performance of Imax versus the approved budget for EBITDA, EPS, revenue growth, and/or other financial targets; and (ii) the Committee shall also take into account other qualitative factors including (in no order of importance): progress in theater signings, development of an enhanced management team, improved performance of the Ridefilm division, further advancement of Imax's film strategy, progress in "owned and operated" strategy, brand development, continued growth of the business, and other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

(g) At the beginning of each of 1997 and 1998, Imax shall grant the Executive the right to receive 15,000 common shares of Imax (the "Restricted Stock"). If such Restricted Stock may not be issued without shareholder approval, it shall be issued as "phantom stock". The Executive shall have the right to request the Restricted Stock be issued to him (or, if "phantom stock" is utilized, have payment made to him in an amount equal to the fair market value of such number of common shares of Imax on the date of such request), at any time after January 1, 1998 and January 1, 1999, respectively. The Restricted Stock shall be adjusted for stock splits and other similar events after the effective date hereof. The provisions of this Section 1(g) shall survive any termination of this Imax agrees to indemnify the Executive, on an after-tax basis, for any income taxes imposed by any taxing authority and resulting from any taxable benefit to the Executive with respect to the Restricted Stock (or "phantom stock") arising prior to the date of any such request. which arises prior to the date of any such request. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) The Executive has been granted effective January 2, 1997, in accordance with the terms of the Imax Stock Option Plan, 40,000 options to purchase common shares, which options were exercisable immediately upon grant and expire on January 1, 2004. The exercise price of such options in accordance with the Stock Option Plan is U.S. \$31.50. Effective January 2, 1998, the Executive shall be granted a further 40,000 options, exercisable immediately upon grant and expiring January 1, 2005. The exercise price of such options shall be determined in accordance with the Stock Option Plan.

All of the Executive's stock options shall be adjusted for stock splits and other similar events after the effective date hereof and shall contain other terms no less favorable to the Executive than the management stock options of Imax's other senior level executives. If the Executive shall voluntarily resign prior to the end of the Employment Term, all of the options granted in 1997 and 1998 shall be exercised by the Executive within 30 days of such resignation.

(i) The Executive shall, during the Employment Term, be eligible to receive employee benefits at a level not less than those established by Imax for, or made available to, its other key employees.

(j) Imax agrees to reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in the performance of his obligations under this Agreement for which documentation reasonably satisfactory to Imax is provided, including expenses relating to the Executive's travel to, and performance of duties in, Toronto, Canada.

(k) Any amounts payable to the Executive under this Agreement shall be subject to applicable withholding taxes, and such other deductions as may be required under applicable law.

2. Restrictions on Competitive Employment. During the Employment Term,

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absent Imax's prior written approval, the Executive shall not (as principal, agent, employee, consultant or otherwise), directly or indirectly, engage in activities with, or render services to, any business engaged or about to become engaged in the business of producing or distributing projection and sound systems or films for large screen theaters or designing or supplying motion simulation theaters or producing or distributing films or movie rides (collectively, "Competitive Business"); provided, however, that, notwithstanding

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the foregoing, the Executive may (i) have equity interests in companies engaged in a Competitive Business so long as he is not employed by and does not consult with such companies in areas related to the Competitive Business, (ii) render consulting services to or be employed by a company engaged in a Competitive Business so long as he is not employed in, or rendering services related to, the Competitive Business of such company or (iii) perform usual investment banking services for a company engaged in a Competitive Business.

3. Confidentiality. The Executive covenants and agrees with Imax that,

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subject to Section 2 above, he will not at any time, except in performance of his obligations to Imax hereunder or with the prior written consent of Imax, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with Imax or any of its subsidiaries. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's or any of its subsidiaries' products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section 3 or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the manner or under the subpoena or other process of law.

4. Assignment. Neither this Agreement nor any right, interest or

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obligation hereunder shall be assignable by the Executive without the prior written consent of Imax. Neither this Agreement nor any right, interest or obligation hereunder shall be assignable by Imax without the prior written consent of the Executive, except that Imax may assign this Agreement or any such right, interest or obligation to an affiliate of

Imax without consent of the Executive; provided, however, that no such assignment shall relieve Imax of any of its obligations hereunder.

5. Indemnification. (a) Imax shall hold the Executive harmless and indemnify the Executive, to the fullest extent permitted by applicable law, against any and all liabilities (and all expenses related thereto) incurred by the Executive as a result of, or in connection with, the services provided under this Agreement; provided, however, that such indemnification shall not apply with respect to any action taken by the Executive that (i) is contrary to the written instructions of the Board or (ii) constitutes gross negligence or willful misconduct. Imax shall maintain a director and officer's liability insurance policy covering the Executive and containing customary terms and conditions.

(b) Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any income taxes imposed by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States (collectively, "Taxes") with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such Taxes exceed the amount of Taxes that would have been imposed on such amounts had all of the services performed by the Executive under this Agreement been performed within the United States. Imax shall hold the Executive harmless and indemnify the Executive, on an after-tax basis, against the amount of any penalties or interest that are imposed on the Executive by Revenue Canada, the United States Federal government or any state or local taxing authority in Canada or the United States as a result of Imax's failure to properly withhold any tax with respect to any amounts payable to the Executive under Section 1 of this Agreement, to the extent such penalties or interest are not attributable to the failure of the Executive to file any required tax returns or pay any required taxes or any other willful act or omission of the Executive.

6. Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, any successors to or permitted assigns of the parties hereto.

7. Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, to the parties at the following address (or to such other address or addresses as either party shall have designated in writing to the other party hereto:)

(a) if to Imax:

2525 Speakman Drive



Mississauga, Ontario, Canada  
L5K 1B1  
Attention: General Counsel

(b) if to the Executive:

975 Park Avenue, Apt 6B  
New York, NY, 10028

8. Severability; Waiver. If any provision of this Agreement shall be

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determined to be invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such provision nor the validity of any other provision of this Agreement shall in any way be affected thereby. Failure to insist upon strict compliance with any term, covenant or condition hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of such right or power at any other time or times.

9. Injunctive Relief. Without intending to limit the remedies available

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to Imax or the Executive, as the case may be, in the event of a breach or threatened breach of any of the covenants contained in this Agreement, Imax or the Executive, as the case may be, shall be entitled to seek such injunctive relief as may be required specifically to enforce any such covenant.

10. Miscellaneous. This Agreement constitutes the entire agreement of the

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parties with respect to the subject matter hereof and supersedes and terminates all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof. Notwithstanding the preceding sentence, nothing in this Agreement shall abrogate the Executive's entitlement to the Special Bonus payable after a sale of Imax or the exercise of the Executive's liquidation rights. Further, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and to the designation as a CEO Advisor under Imax's by-laws. This Agreement may be modified or amended only by an instrument in writing signed by both parties hereto. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11. Governing Law. This Agreement shall be governed by and construed in  
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accordance with the laws of the Province of Ontario and the laws of Canada  
applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, Imax and the Executive have duly executed and delivered  
this Agreement, as of the day and year first above written, on this 16th day of  
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May, 1997.

IMAX CORPORATION

By: /s/ John M. Davison  
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John M. Davison  
Executive Vice President, Operations  
and Chief Financial Officer

By: /s/ Michael M. Davies  
-----

Michael M. Davies  
Vice President and Corporate Controller

EXECUTIVE

/s/ Richard L. Gelfond  
----- l.s.  
RICHARD L. GELFOND

EMPLOYMENT AGREEMENT  
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MEMORANDUM OF AGREEMENT made the 16th day of January, 1991

B E T W E E N :

JOHN M. DAVISON, of the City of Toronto, in the Province of Ontario,

(hereinafter called the "Executive"),

OF THE FIRST PART,

- -and-

IMAX SYSTEMS CORPORATION, a corporation incorporated under the laws of Canada,

(hereinafter called the "Corporation"),

OF THE SECOND PART.

WHEREAS the Corporation is desirous of employing the Executive to provide services in connection with the business (the "Business") carried on by the Corporation, consisting principally of the design, production, marketing and leasing of high fidelity 70mm large format motion picture systems and the development, production and distribution of 70mm large format films, and including certain other business activities relating thereto;

AND WHEREAS the Executive is desirous of providing such services to the Corporation, on the terms and subject to the conditions herein set out;

AND WHEREAS the Executive may from time to time be granted rights to purchase common shares of the Corporation and may be advanced one or more loans by the Corporation for the purpose of purchasing such shares;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties), the parties hereby covenant and agree as follows:

1. DUTIES AND TERM OF EMPLOYMENT

The Executive shall serve the Corporation in the capacity of Director, Corporate Development, and may be appointed as a member of such senior management committee or similar body as may be designated by the Board of Directors or the President and Chief Executive Officer of the Corporation from time to time, and shall perform such duties and exercise such powers as are normally associated with such a position and such other duties and powers in connection with the Business as may from time to time be assigned to him. The Executive shall report to such executive officer of the Corporation as shall be designated by the Board of Directors or the President and Chief Executive Officer of the Corporation from time to time and be subject to the general direction and control of such officer.

1.2 The Executive shall devote such time, attention and ability on a full-time basis as are reasonably necessary in connection with the conduct of the Business and the Executive shall well and faithfully serve the Corporation in providing services hereunder and shall use his best efforts to promote the interests of the Corporation in respect of the Business.

1.3 Subject to earlier termination of the employment of the Executive in accordance with Article 4 of this Agreement, the employment of the Executive hereunder shall be for an indefinite term.

2. REMUNERATION

2.1 The salary payable to the Executive in the 1990 calendar year shall be \$130,000. In respect of each calendar year, the salary payable to the Executive shall be as agreed by the parties from time to time. The salary payable to the Executive pursuant hereto is herein referred to as "Salary". If the Executive is employed during less than the entirety of any calendar year, his Salary for such part of a year shall be the appropriate prorated portion of his Salary in respect of the whole calendar year. The Salary of the Executive shall be paid in arrears in equal bi-weekly instalments.

2.2 The Executive shall be reimbursed for all reasonable out-of-pocket expenses actually and properly incurred in connection with the services performed hereunder. For all such expenses, the Executive shall furnish to the Corporation statements and vouchers as and when required by it.

3. BENEFITS

3.1 The terms and conditions of the employment of the Executive hereunder respecting participation by the Executive in the Imax Registered Pension Investment Plan (the "Pension Plan"), participation by the Executive in all group life, medical, disability and other insurance plans of the Corporation (collectively the "Insurance Plans") shall be such

terms and conditions as are applicable from time to time to other senior executives of the Corporation in comparable positions to that of the Executive.

3.2 The Executive shall be entitled to four (4) weeks' vacation with pay in each calendar year, to be taken in accordance with the Corporation's vacation policy in effect from time to time.

#### 4. TERMINATION

4.1 The employment of the Executive may be terminated only in the following manner:

- (a) at any time, by notice in writing from the Corporation to the Executive, for just cause. For the purposes of this Agreement, just cause shall include any one or more of the following events:
  - (i) if the Executive breaches any of the material terms or provisions of his employment and such breach has not been remedied within 30 days after written notice specifying such breach has been given to the Executive by the Corporation; or
  - (ii) if the Executive has been guilty of wilful misconduct or wilful neglect of duty, or has been materially negligent in the performance of the duties provided for herein; or
  - (iii) if the Executive has wilfully and knowingly disobeyed any reasonable order or instruction communicated in writing by the Board of Directors or the President and CEO of the Corporation; or
  - (iv) if the Executive has committed any act of dishonesty affecting the Corporation; or
- (b) by three months' notice in writing from the Corporation to the Executive, in the event that the Executive is missing and presumed dead or fails, by reason of illness or mental or physical disability or incapacity, for any six consecutive calendar months in any 12-month period or for 12 months in the aggregate in any 24-month period, to provide the services required hereunder; or
- (c) if the Executive has died, automatically upon his death; or
- (d) at any time, by notice in writing from the Executive to the Corporation, if the Corporation breaches any of the material terms or provisions of this Agreement and such breach is not remedied within 30 days after written notice specifying such breach has been given to the Corporation by the Executive; or

- (e) at any time, for any reason (including, without limitation, by reason of circumstances constituting constructive dismissal of the Executive), by notice in writing given to the Corporation by the Executive, effective at such time as shall be stated in such notice, which (except in the case of constructive dismissal of the Executive) shall be not less than 30 days following the date of such notice or, if no such time is specified therein, as is 30 days following the date of such notice; or
- (f) at any time, for any reason, by notice in writing given to the Executive by the Corporation, effective at such time as shall be stated in such notice.

The effective date of any termination of the employment of the Executive is referred to herein as the "Termination Date".

4.2 Upon any termination of the employment of the Executive pursuant to subclauses 4.1(a), (b), (c) or (e) (other than termination pursuant to subclause 4.1(e) in the circumstances referred to in clause 4.3), the Corporation shall pay to the Executive or his legal personal representatives, as soon as is reasonably practicable, Salary calculated to the Termination Date, together with such other amounts (if any) as are owing to the Executive as at the Termination Date in respect of his employment. The Executive acknowledges that upon any such termination of his employment, he or his legal personal representatives shall have no claim for the payment of any further or other Salary, compensation or other remuneration whatsoever in respect of such termination.

4.3 Following any termination of the employment of the Executive pursuant to subclauses 4.1(d) or (f), or pursuant to subclause 4.1(e) in circumstances constituting constructive dismissal of the Executive or at any time within one year following a Change of Control (as defined in clause 6.1) the Corporation, in addition to paying Salary to the Executive calculated to the Termination Date, together with such other amounts (if any) as are owing to the Executive as at the Termination Date, shall continue to pay Salary to the Executive until the earlier to occur of: (i) the Executive securing reasonably comparable alternative employment; and (ii) the date (the "Final Payment Date") which is 9 months following the Termination Date. The Executive agrees to use his best efforts to secure reasonably comparable alternative employment upon any such termination of his employment hereunder and shall forthwith give notice to the Corporation in writing when he has secured such reasonably comparable alternative employment. Upon the Executive securing such reasonably comparable alternative employment prior to the Final Payment Date, the Corporation shall pay to the Executive an amount equal to one-half the amount which would otherwise be payable by the Corporation to the Executive from such, date of securing reasonably comparable alternative employment to the Final Payment Date. During such period following the Termination Date as the Corporation continues to pay Salary to the Executive in accordance herewith, it shall continue coverage under the Insurance Plans (other than long-term disability) for the benefit of the Executive, but all rights of the Executive to continued contributions under the Pension Plan and long-term disability coverage shall cease upon the Termination Date. The parties hereby acknowledge and

confirm that the foregoing arrangements are reasonable compensation to the Executive for any such termination of his employment hereunder by the Corporation in lieu of notice thereof. Accordingly, upon any termination of his employment in accordance with the provisions hereof, the Executive acknowledges that he shall have no claim whatsoever arising out of the termination of his employment hereunder for damages or other Salary, compensation or remuneration whatsoever, except for payment of Salary to the extent specifically hereinbefore provided for.

5. PURCHASE OF SHARES

5.1 Upon execution of this Agreement and upon the terms and conditions hereof, the Executive may subscribe for and purchase up to 5,000 common shares of the Corporation at a purchase price of \$1.00 per share and up to 5,000 common shares of the Corporation at a purchase price of \$5.00 per share (herein referred to as "Shares"). If so requested by the Executive, the Corporation shall loan the full purchase price for the Shares to the Executive upon execution of the Loan Agreement and the Trust Agreement attached as Schedules "A" and "B" hereto, respectively. In each of the six (6) calendar years commencing on December 31, 1991, the Executive shall repay to the Corporation a portion of the Loan equal to five percent (5%) of the principal amount thereof, with the balance falling due and being repaid not later than December 31, 1997. If the Corporation advances a Loan to the Executive, as aforesaid, he shall be deemed to have directed the Corporation to apply the proceeds of such Loan to the payment of the purchase price for the Shares and such purchase price shall be paid and satisfied accordingly.

6. Sale of Shares

6.1 In this Article 6, the following terms shall have the following respective meanings:

- (a) "Change of Control" means either of the following events:
  - (i) the sale of all or substantially all of the assets of the Corporation; or
  - (ii) any transaction whereby any person, together with affiliates and associates of such person, or any group of persons acting in concert, acquires more than 50% of the issued common shares of the Corporation, or any transaction as a result of which common shares constituting more than 50% in the aggregate of the issued common shares of the Corporation cease to be held by persons who are shareholders of the Corporation as at the date hereof, or by affiliates or associates of such present shareholders;

(for the purposes of this definition, whether persons are affiliated or associated shall be determined in accordance with the definitions of "affiliate")

and "associate" in the provisions of the Canada Business Corporations Act, as such provisions may be amended, supplemented or replaced from time to time);

- (b) "Effective Date" shall have the meaning ascribed thereto in clause 6.4;
- (c) "Fair Market Value" means the value per Share of the common shares of the Corporation calculated as follows:

BOOK VALUE PER SHARE + (MULTIPLE X AVERAGE EARNINGS PER SHARE)

For the purposes of the above-mentioned calculation:

"Book Value per Share" means the book value of the net assets of the Corporation (total common shareholders equity), divided by the number of Shares of the Corporation outstanding, all as stated in the most recent audited financial statements of the Corporation which number shall always be greater than zero;

"Multiple" means the number used to capitalize earnings of the Corporation and for the purpose of this calculation shall be as set out in this table:

Prime Rate	Multiple
-----	-----
6.00% - 7.99%	4.50
8.00% - 9.99%	4.17
10.00% - 11.99%	3.83
12.00% - 13.99%	3.50
14.00% - 15.99%	3.17
16.00% - 17.99%	2.83
18.00% - 19.99%	2.50

Therefore, for example, if the prime rate was 13.5%, the multiple would be 3.50;

Such prime rate, for purposes of this formula, shall be the average prime rate in Canada for the 12 months preceding the most current valuation date. Such rate to be determined by an average of the rates charged by three banks: The Toronto-Dominion Bank, The Bank of Montreal and The Royal Bank of Canada: and

"Average Earnings per Share" means the amount determined by multiplying:

- (A) the Earnings per Share for the most recently audited year by three;



- (B) the Earnings per Share for the immediately preceding year by two; and
- (C) the Earnings per Share for the year immediately preceding the year referred to in (B) above by one;

and dividing the aggregate of the amounts in (A), (B) and (C) above by six, which amount shall always be greater than zero.

"Earnings per Share" means the Earnings of the Corporation for the relevant year, divided by the average number of Shares outstanding during the said year;

"Earnings" means the audited net income of the Corporation, before tax, increased or decreased by the amount of research and development expenses and any other extraordinary or non-recurring items as set out in the financial statements for the applicable financial years;

Notwithstanding the foregoing, such other method of valuation as may be determined by the President, from time to time, may be used to calculate Fair Market Value for the purpose of this Agreement provided such other method or formula yields a value per Share which is not less than the value determined above;

- (d) "Gone Public" means, in reference to the Corporation, that either (i) the Corporation has made a distribution of its shares to the public or (ii) shares of the Corporation are listed or traded on a published market (as such term is defined in the Securities Act (Ontario));
- (e) "Loan" means any loan which has been made by the Corporation to the Executive pursuant to Article 5 for the purpose of purchasing Shares; and
- (f) "Price Per Share" means, in respect of any Shares purchased by the Executive, a price per Share calculated on the basis of the following respective proportions of the purchase price per Share paid by the Executive for such Shares ("Purchase Price") and Fair Market Value (provided that, if the purchase and sale of the Shares held by the Executive pursuant to clause 6.4 occurs by reason of the termination of the employment of the Executive pursuant to clause 4.3, the Price Per Share shall be Fair Market Value in respect of all such Shares):

Year	Price Per Share
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Year 1	Purchase Price
Year 2	80% Purchase Price + 20% Fair Market Value
Year 3	60% Purchase Price + 40% Fair Market Value
Year 4	40% Purchase Price + 60% Fair Market Value
Year 5	20% Purchase Price + 80% Fair Market Value
All years after Year 5	Fair Market Value

(Years 1 through 5 shall be determined on the basis of Year 1 being 1990.)

6.2 At all times at which the Corporation has not Gone Public, except as specifically provided in Article 5 and clause 6.4, the Executive shall not, except with the prior consent of the Board of Directors or the President and CEO of the Corporation, which consent shall not be unreasonably withheld, sell transfer, mortgage, charge, pledge or assign all or any part of his right, title or interest in or to any Shares to any person.

6.3 The Executive acknowledges and agrees that the Executive shall, upon request by the Corporation, execute any shareholders' agreement in effect from time to time between the shareholders of the Corporation, with respect to all Shares held by the Executive. At all times at which the Corporation has not Gone Public, any and all certificates representing Shares shall have conspicuously typed or otherwise written thereon a legend substantially to the following effect:

"The shares represented by this certificate are subject to certain restrictions on the right to transfer, sell, assign, or otherwise deal with the shares of Imax Systems Corporation represented by this certificate, pursuant to its articles of incorporation and certain agreements to which the holder of such shares is a party. Notice of the terms and conditions of such articles is hereby given. Copies of such agreements are available for inspection upon application to the Secretary of Imax Systems Corporation."

6.4 If (i) the employment of the Executive is terminated for any reason, or (ii) any interest in any Shares is claimed by any person other than the Executive or any interest in any Shares is transferred or purportedly transferred to any person other than the Executive (other than pursuant to the provisions of Article 5 or as otherwise agreed by the Corporation), whether by an order of any court, by operation of law or otherwise and the Corporation elects, in its sole discretion, to require the sale of such Shares as a result of such event (the December 31 following the date of such termination or other event is hereinafter referred to as the "Effective Date"), if the Corporation has not Gone Public at the Effective Date, the Corporation shall cause to be purchased, by such purchaser as it may designate, and the Executive or his legal personal representatives shall sell, all Shares held by the Executive or such legal personal representatives as at the Effective Date (the "Purchased Shares") for a purchase price, payable in cash, equal to the

product obtained when (A) the Price Per Share is multiplied by (B) the number of Shares held by the Executive or such legal personal representatives as at the Effective Date. The purchase price for the Shares shall be paid at the Time of Closing in respect of the purchase and sale of the Shares. If any portion of any Loan remains outstanding at the Time of Closing, a portion of such purchase price equal to such unpaid balance of such Loan shall be applied to the repayment of such Loan and the Executive hereby irrevocably authorizes and directs the Corporation to apply such purchase price to the repayment of such Loan. The completion of the sale and purchase of the Purchased Shares pursuant to this clause 6.4 shall be in accordance with the provisions of clause 6.5. Notwithstanding the foregoing, the Corporation shall be under no obligation to cause the Shares to be purchased if, as of the Effective Date, the Corporation has become bankrupt or if it has been put into receivership or a trustee appointed for the benefit of creditors.

6.5 The following provisions shall apply in respect of any purchase and sale of Purchased Shares pursuant to clause 6.4 and shall also apply, mutatis mutandis, to any purchase and sale of the Executive's Shares pursuant to the provisions of any shareholders' agreement referred to in clause 6.3 and to any sale of Shares pursuant to Article 5 (in which case, the date at which obligations to sell and purchase such Shares arise shall be the Effective Date and such Shares shall be the Purchased Shares for purposes of this clause 6.5):

- (a) Forthwith following any Effective Date, the purchaser(s) shall notify the Executive or his legal personal representatives, as the case may be (the "vendor") in writing of a date and time for closing of the purchase and sale of the Purchased Shares, which date shall be not earlier than 30 days nor more than 60 days after the date upon which such notice is required to be given. The purchase and sale of the Purchased Shares shall take place on the date and at the time set out in such notice and shall take place at the head office of the Corporation. If no notice is given as aforesaid establishing such date and time of closing, such date shall be the last day which could be designated hereunder as such date of closing (or the first business day immediately following such day if such day is not a business day) and the time of closing shall be 10:00 a.m. (local time) on such date, provided, however, that the purchaser(s) and the vendor may otherwise mutually agree upon such date and time (the date and time determined in accordance with the foregoing shall be the "Date of Closing" and the "Time of Closing" respectively).
- (b) At the Time of Closing on the Date of Closing, the vendor shall deliver to the purchaser(s) a certificate or certificates representing the Purchased Shares, duly endorsed in blank for transfer, and the purchaser(s) shall pay to the vendor the portion of the purchase price payable at the Time of Closing.
- (c) If the vendor is not represented at the place of closing at the Time of Closing or is represented but fails for any reason whatsoever to produce and deliver

to the purchaser(s) the said certificate or certificates duly endorsed in blank for transfer then the portion of the purchase price payable at the Time of Closing shall be deposited into a special account at the branch of the Corporation's bankers customarily used by the Corporation in the name of the vendor. Such deposit shall constitute valid and effective payment of such portion of the purchase price to the vendor even though the vendor has voluntarily encumbered or disposed of any of the Purchased Shares, and notwithstanding the fact that a certificate or certificates for any of the Purchased Shares may have been delivered to any pledgee, transferee or other person. In the event that any of the Purchased Shares have been pledged or otherwise encumbered to any person to secure obligations or indebtedness of the vendor, the purchaser(s) may, at the option of the purchaser(s), in lieu of depositing such portion of the purchase price as aforesaid, pay all or any part of such portion of the purchase price to such pledgee or encumbrancer to the extent required to discharge such obligations or indebtedness and receive the certificates representing the Purchased Shares from such pledgee or encumbrancer and deposit the remainder, if any, of such portion of the purchase price as aforesaid.

- (d) If a deposit and/or payment is made pursuant to subclause (c), then from and after the Date of Closing, and even though the certificates representing the Purchased Shares have not been delivered to the purchaser(s), the purchase of the Purchased Shares shall be deemed to have been fully completed, and all right, title, benefit and interest, both at law and in equity, in and to the Purchased Shares shall be conclusively deemed to have been transferred and assigned to and become vested in the purchaser(s) and all right, title, benefit and interest, both at law and in equity, of the vendor or of any transferee, assignee, or any other person having any interest, legal or equitable, therein or thereto, whether as a shareholder or creditor of the Corporation or otherwise, shall cease and determine.
- (e) The vendor shall be entitled to receive the portion of the purchase price deposited with the bankers of the Corporation upon delivery to the purchaser(s) of certificates evidencing the Purchased Shares, duly endorsed in blank for transfer, and the balance of the purchase price when payable in accordance with the terms of the purchase and sale.
- (f) The vendor hereby irrevocably constitutes and appoints the purchaser(s) and each of them a true and lawful attorney-in-fact and agent for, in the name and on behalf of the vendor to execute and deliver in the name of the vendor all such assignments, transfers, deeds and instruments as may be necessary effectively to transfer and assign the Purchased Shares, or any part thereof, to the purchaser(s), on the books of the Corporation. Such appointment and power of attorney, being coupled with an interest, shall not be revocable and shall not be terminated by the insolvency, bankruptcy, incapacity or death of the vendor or otherwise by operation of law and the vendor hereby ratifies

and confirms and agrees to ratify and confirm all that the attorney may lawfully do or cause to be done by virtue of the provisions hereof.

- (g) The vendor hereby irrevocably consents to any transfer of the Purchased Shares made pursuant to the provisions hereof.

7. NON-COMPETITION

7.1 The Executive acknowledges that he will be entrusted with detailed confidential information and trade secrets concerning the present and contemplated techniques and modes of merchandising evolved and used in connection with the Business and concerning the customers and clients of the Business, their names, addresses and requirements and concerning employees of the Business, the disclosure of any of which detailed confidential information and trade secrets to competitors of the Corporation or to the general public would be highly detrimental to the best interests of the Corporation. The Executive further acknowledges and agrees that the right to maintain confidential such detailed confidential information and trade secrets constitutes a proprietary right which the Corporation is entitled to protect. Accordingly, the Executive covenants and agrees with the Corporation:

- (a) that he will not, except with the prior written consent of the Corporation or in the course of his employment for the purposes of the Business, at any time during his employment with the Corporation or during the period of two years from the date of any termination of his employment, disclose any of such detailed confidential information and trade secrets with respect to the Business to any person or use the same for any purposes other than those of the Corporation;
- (b) that he will not, except with the prior written consent of the Corporation, at any time during his employment with the Corporation or during the period of two years from the date of any termination of his employment, either individually or in partnership or jointly or in conjunction with any person as principal, agent, shareholder, creditor, employee, partner or in any other manner whatsoever carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit his name or any part thereof to be used or employed by any person engaged in or concerned with or interested in any business directly competitive with the Business or any portion of the Business, anywhere in any country of the world in which the Business or any portion of the Business is carried on or is proposed to be carried on at any time during his employment with the Corporation; and
- (c) that he will not, except with the prior written consent of the Corporation, at any time during his employment with the Corporation or at any time during the period of two years from the date of any termination of his employment:

- (i) contact, for the purpose of solicitation in connection with a similar business, any person, firm, corporation or governmental agency who is a customer of the Corporation in connection with the Business at such date of termination; or
- (ii) contact any employee or executive of the Corporation employed by the Corporation at such date of termination in connection with the Business for the purpose of offering him or her employment with any person other than the Corporation.

7.2 If any covenant or provision herein is determined to be void or unenforceable in whole or in part, it shall not be deemed to affect or impair the validity of any other covenant or provision and subclauses (a), (b) and (c) and paragraphs (i) and (ii) of subclause (c) of clause 7.1 hereof are declared to be separate and distinct covenants. The Executive hereby agrees that all restrictions in clause 7.1 are reasonable and valid and all defences to the strict enforcement thereof by the Corporation are hereby waived by the Executive. The Executive acknowledges that a violation of any of the provisions of clause 7.1 will result in immediate and irreparable damage to the Corporation and agrees that in the event of such violation the Corporation shall, in addition to any other right to relief, be entitled to equitable relief by way of temporary or permanent injunction and to such other relief as any court of competent jurisdiction may deem just and proper.

#### 8. GENERAL

8.1 The Executive acknowledges that he has obtained independent legal advice in connection with the entering into of this Agreement.

8.2 Any notice in writing required or permitted to be given to the parties hereunder shall be sufficiently given if delivered personally or mailed by registered mail, postage prepaid, addressed:

To ISC:           IMAX SYSTEMS CORPORATION  
                  Attn: Legal Department  
                  38 Isabella Street  
                  Toronto, Ontario M4Y 1N1

To Executive:   MR. JOHN M DAVISON  
                  57 Lawrence Ave. West  
                  Toronto, Ontario, M5M 1A3

Either party hereto may change its address for the giving of notice from time to time by notice given in accordance with the foregoing provisions.

8.3 This Agreement shall be construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the parties hereby irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

8.4 In this Agreement, "person" means and includes an individual, a firm, a corporation, a syndicate, a partnership, an association, a joint venture and every other legal or business entity whatsoever. Where used herein, words importing the singular number only shall include the plural and vice-versa and words importing the use of any gender shall include all genders.

8.5 The headings of the subdivisions of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction hereof.

8.6 This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject-matter hereof. There are not and shall not be any oral statements, representations, warranties, undertakings or agreements between the parties and this Agreement may not be amended or modified in any respect except by written instrument signed by the parties hereto.

8.7 The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, legal personal representatives, successors and permitted assigns. The Executive may not assign, whether voluntarily or involuntarily, any of his rights or benefits under this Agreement or delegate any of his duties or obligations hereunder, except with the prior written consent of the Corporation.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

SIGNED, SEALED AND DELIVERED )  
in the presence of: )  
)  
/s/ G. Mary Ruby )

/s/ John M. Davison  
-----  
JOHN M. DAVISON

IMAX SYSTEMS CORPORATION

By /s/ Fred Klinkhammer  
-----  
Fred Klinkhammer

HEAD OFFICE  
38 Isabella St., Toronto, ONTARIO, Canada M4Y 1N1  
Telephone: (416) 960-8509  
Fax: (416) 960-8596

TECHNOLOGY CENTRE  
2525 Speakman Drive, Sheridan Park  
Mississauga, Ontario, Canada 15K 1B1  
Telephone: (416) 855-1379 Fax: (416) 855-2606

IMAX CORPORATION

Mr. John Davison  
64 Hanna Road  
Toronto, Ontario  
M4G 3N1

Toronto, Ontario  
August 31, 1992

Dear John:

As you are aware, the Board of Directors confirmed your appointment as Vice President, Finance, of Imax Corporation some time ago.

Effective January 1, 1992, your salary was increased to \$140,000 per annum. In addition, you are allowed to lease a company vehicle in the amount of \$750 per month, plus taxes and insurance. The company will pay all operating and maintenance costs, based on expense account submissions.

I also confirm that the final payment date referred to in Paragraph 4.3 of your Employment Agreement will be changed to "12 months following the termination date".

In order to confirm the above, please sign below to indicate your acceptance and the ongoing validity of your Employment Agreement.

Yours truly,

/s/ Robert Kerr

Robert Kerr  
President & CEO

Accepted by:

/s/ John Davison  
-----  
John Davison

September 2, 1992  
-----  
Date



EMPLOYMENT AGREEMENT  
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This Employment Agreement dated and effective as of July 15, 1997 (the "Agreement"), is made between

70 MM INC.,  
a corporation incorporated  
under the laws of the State  
of Delaware  
(hereinafter referred to as "70MM")

OF THE FIRST PART

and

DAVID BEDFORD KEIGHLEY  
of the City of Markham in the  
Province of Ontario  
(hereinafter referred to as the "Executive")

OF THE SECOND PART

and

IMAX CORPORATION,  
a corporation incorporated  
under the laws of Canada  
(hereinafter referred to as the "Imax Corporation")  
(Imax Corporation, together with all its subsidiaries and affiliates are  
hereinafter referred to as "Imax")

OF THE THIRD PART

WHEREAS, Imax Corporation and 70MM wish to enter into this Agreement to engage the Executive to provide services to the 70MM, and the Executive wishes to be so engaged, pursuant to the terms and conditions hereinafter set forth;

AND WHEREAS 70MM is an indirect wholly-owned subsidiary of Imax Corporation;

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. EMPLOYMENT AND DUTIES  
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1.1. Employment. 70MM hereby employs the Executive, and the Executive hereby  
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agrees to serve, as President of 70MM and Senior Vice President of Imax Corporation and the Executive hereby accepts the foregoing employment, all on the terms and conditions contained in this Agreement.

The Executive agrees to serve 70MM faithfully and to the best of his ability under the direction of the "Senior Operating Officer" of Imax Corporation. The Executive shall report to the "Senior Operating Officer" of Imax Corporation. Senior Operating Officer shall mean Chief Operating Officer, Chief Executive Officer, Vice Chairman or Chairman.

1.2. Exclusive Services. Except as may otherwise be approved in advance by  
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the President and/or the Senior Operating Officer of Imax Corporation, the Executive shall devote his full working time throughout the Employment Term (as defined in Section 1.3) to the services required of him hereunder. The Executive shall render his services exclusively to 70MM during the Employment Term, and shall use his best efforts, judgment and energy to improve and advance the business and interests of Imax in a manner consistent with the duties of his position.

1.3. Term of Employment. The Executive's employment under this Agreement  
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shall commence on the date hereof (the "Commencement Date") and shall terminate on the earlier of (i) the fifth anniversary of the Commencement Date, or (ii) termination of the Executive's employment pursuant to this Agreement. The period commencing as of the Commencement Date and ending on the fifth anniversary of the Commencement Date or such later date to which the term of the Executive's employment under this Agreement shall have been extended is hereinafter referred to as the "Employment Term". Executive agrees to notify Imax Corporation of his desire to renew this Agreement, on terms and conditions to be negotiated, on or before December 31, 2001. Imax Corporation agrees to advise Executive of its intention to renew this Agreement on or before December 31, 2001.

1.4. Place of Employment. During the Employment Term the Executive will  
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principally work at 70MM's offices in Los Angeles and from time to time, as requested or as required by circumstance, at Imax Corporation's main offices in Mississauga and New York. It is anticipated that the Executive will spend some portion of his time in Imax Corporation's Mississauga area offices, but in no event will the Executive spend more than 180 days in Canada in any calendar year during the Employment Term. The Executive shall spend the balance of his working time in such location or locations as are necessary and appropriate for the performance of the duties of the Executive, subject to the reasonable direction of the Senior Operating Officer.

1.5. Reimbursement of Expenses. 70MM shall reimburse the Executive for  
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reasonable travel and other business expenses incurred by him in the fulfilment of his duties hereunder in

accordance with 70MM practices consistently applied. Without limitation, 70MM shall pay, or reimburse the Executive for, reasonable accommodation costs for the Executive in Toronto.

2. COMPENSATION

2.1. Base Salary. During the Employment Term, the Executive shall be paid a

base salary ("Base Salary") of US \$ 212,405 in the first year of the Employment Term, US \$ 223,025 in the second year of the Employment Term, US \$ 234,176 in the third year of the Employment Term, US \$ 245,885 in the fourth year of the Employment Term and US \$ 258,179 in the fifth year of the Employment Term, payable no less frequently than monthly in accordance with 70MM's payroll practices. In respect of any year in which the Executive is employed pursuant to this Agreement less than the entirety of such year, the annual base salary of the Executive for such part year as he is employed hereunder shall be reduced proportionately based on the number of days he was actually employed hereunder.

2.2. Bonus. In addition to the Base Salary, for each year during the

Employment Term (excluding fiscal 2002), the Executive shall be entitled to be paid and 70MM agrees to pay to the Executive a bonus of one-third of the Executive's base salary for such year (pro-rated as necessary to reflect any partial year worked) upon the attainment of the pre-tax profit threshold established as detailed in paragraph 2.3 below. The Executive will be entitled to be paid and 70MM agrees to pay to the Executive a further bonus for each year (or portion thereof) during which the Executive has performed services hereunder in an amount equal to 10% of the difference calculated by subtracting the pre tax profit threshold established in Section 2.3 below from 70MM's profit before taxes as confirmed by Imax's auditors for the financial year being considered. This bonus will also be pro-rated as necessary to reflect a partial year worked. Bonuses payable pursuant to these bonuses shall be calculated and paid not later than April 30 of the following year.

2.3 Pre Tax Profit Threshold

Pre tax profit threshold for purposes of determining bonuses to be paid pursuant to 2.2 above shall be as follows:

Pre tax Profit Threshold for Financial Year Ending		Applicable to Bonus Payments Due
December 31, 1997	US\$ 229,629	April 30, 1998
December 31, 1998	US\$ 241,110	April 30, 1999
December 31, 1999	US\$ 253,166	April 30, 2000
December 31, 2000	US\$ 265,824	April 30, 2001
December 31, 2001	US\$ 279,115	April 30, 2002

3. EMPLOYEE BENEFITS  
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3.1. General. The Executive shall, during the Employment Term, receive  
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employee benefits including vacation time, medical benefits, disability and life insurance, all at least consistent with those established by Imax Corporation for its other key employees at a level commensurate with that of the Executive. Without limitation, however, the Executive shall be entitled to the following benefits:

- (i) no less than five (5) weeks' paid vacation in the first year of the Employment Term and in accordance with Imax Corporation's policy for senior executives thereafter but in any event no less than 5 weeks in any year of the Employment Term;
- (ii) business class air travel within North America and internationally and the same class of travel enjoyed by executives more senior than the Executive, when travelling with these executives, subject to availability;
- (iii) such audio/visual, computer, fax, cellular telephone, paging services and other like equipment as may be necessary in connection with the performance of the Executive's responsibilities shall be made available to the Executive including, without limitation, a personal computer and necessary link-up equipment;
- (iv) reimbursement for the expenses of obtaining or maintaining the Executive's membership in the Society of Motion Picture and Television Engineers and the expenses of any memberships which in the reasonable opinion of the Executive are essential or necessary to enable him to perform his duties hereunder; and
- (iv) standard Imax benefits for U.S. resident employees.

3.2. Automobile. In addition to the Base Salary, 70MM shall pay the  
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Executive US \$ 700 each month during the Employment Term as an allowance towards the cost to the Executive of an automobile for business and personal use (hereinafter referred to as the "Automobile Allowance"). In addition, the Executive will be reimbursed in respect of all reasonable out-of-pocket operating costs incurred in connection with such automobile.

4. TERMINATION OF EMPLOYMENT  
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Definitions. As used in this Article 4, the following terms  
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have the following meanings:

(a) "Termination Payment" means each of the following amounts to the extent that such amounts are due to be paid to and including the date upon which the Executive's employment is terminated (i) Base Salary, (ii) Automobile Allowance, (iii) unreimbursed business expenses, (iv) any amounts to be paid pursuant to the terms of any benefit plans of 70MM in which the Executive participates or pursuant to any policies of 70MM applicable to the Executive, and (vi) any outstanding vacation pay calculated up to and including such date.

(b) "Without Cause" means termination of the Executive's employment by 70MM other than for Cause (as defined in Section 4.2), death or disability (as set forth in Article 5).

4.1. Termination without Cause.  
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4.1.1. General. Subject to the provisions of Sections 4.1.2, 4.1.3 and  
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Article 6, if, prior to the expiration of the Employment Term, the Executive's employment is terminated by 70MM Without Cause, 70MM shall pay the Termination Payment then due to be paid within 30 days of the date of termination and shall continue to pay the Executive the Base Salary, and the Automobile Allowance for the duration of the Employment Term then remaining to a maximum of three (3) years, (such period being referred to hereinafter as the "Severance Period") either at such intervals as the same would have been paid had the Executive remained in the active service of 70MM, or, at the option of 70MM, by immediate payment to the Executive of the remaining Base Salary and Automobile Allowance which would be payable during the Severance Period. Upon such termination, the Executive shall also be entitled to continue to receive his employment benefits at 70MM's expense (to the extent paid for by 70MM as at the date of termination), other than those set forth in clauses 3.1 (ii) and (iii).

The Executive agrees that 70MM may deduct from any payment of Base Salary to be made during the Severance Period the benefit plan contributions which are to be made by the Executive during the Severance Period in accordance with the terms of all benefit plans for the minimum period prescribed by law. The Executive shall have no further right to receive any other compensation or benefits after such termination of employment except as are necessary under the terms of the employee benefit plans or programs of 70MM or as required by applicable law. Payment of Base Salary and the Automobile Allowance and the continuation of the aforementioned employee benefits during the Severance Period as outlined above shall be deemed to include all termination and severance pay to which the Executive is entitled pursuant to applicable statute law and common law. The date of termination of employment Without Cause shall be the date specified in a written notice of termination to the Executive.

4.1.2. Fair and Reasonable The parties confirm that notice and pay in lieu

of notice provisions contained in Section 4.1.1 are fair and reasonable and the parties agree that upon any termination of this Agreement Without Cause, the Executive shall have no action, cause of action, claim or demand against 70MM or Imax or any other person as a consequence of such termination other than to enforce Section 4.1.1.

4.1.3. Conditions Applicable to the Severance Period. If, during the

Severance Period, the Executive breaches his obligations under Article 7 of this Agreement, 70MM may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments described in Section 4.1.1.

4.2. Termination for Cause; Resignation. At any time prior to the

expiration of the Employment Term the Executive's employment may be terminated by 70MM immediately upon notice for Cause. If, prior to the expiration of the Employment Term, the Executive's employment is terminated by 70MM for Cause, or the Executive resigns from his employment hereunder, other than circumstances constituting constructive dismissal, the Executive shall only be paid, within 15 days of the date of such termination or resignation, the Termination Payment, then due to be paid. The Executive shall have no further right to receive any other compensation or benefits after such termination or resignation of employment, except as determined in accordance with the terms of the employee benefit plans or programs of 70MM. The date of termination for Cause shall be the date specified in a written notice of termination to the Executive. The date of resignation shall be (i) the date specified in the written notice of resignation from the Executive to 70MM, or if no date is specified therein, 10 days (not including a Saturday, Sunday or statutory holiday in Ontario, Canada) after receipt by 70MM of such written notice or (ii) if no such notice is delivered to 70MM, the date determined by the Senior Operating Officer of Imax Corporation in good faith.

4.3. Cause. Termination for "Cause" shall mean termination of the

Executive's employment because of:

- (i) the cessation of the Executive's ability to work legally in Canada or the United States other than for reasons within the Executive's reasonable control;
- (ii) any act or omission that constitutes a material breach by the Executive of any of his obligations under this Agreement;
- (iii) the continued failure or refusal of the Executive to perform the duties reasonably required of him as President of 70MM;
- (iv) any material violation by the Executive of any Canadian or United States Federal, provincial, state or local law or regulation applicable to the business of 70MM or Imax, which violation is injurious to the financial condition or business reputation of 70MM or Imax, or the Executive's conviction of a felony

or commission of an indictable offense for which he is not pardoned, or any perpetration by the Executive of a common law fraud; or

- (v) any other action by the Executive which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, 70MM or Imax, or which results in a violation by 70MM or Imax of any Canadian or United States Federal, provincial, state or local law or regulation applicable to the business of 70MM or Imax, which violation is injurious to the financial condition or business reputation of 70MM or Imax.

5. DEATH OR DISABILITY  
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In the event of termination of employment by reason of death or Permanent Disability (as hereinafter defined), the Executive (or his estate, as applicable) shall be paid the Termination Payment then due to be paid within 30 days of the date of such termination of employment. Both the employment of the Executive and the entitlement of the Executive to be paid amounts under Section 4.1.1, in respect of the Severance Period, shall terminate immediately and without notice upon his death or upon his Permanent Disability (as hereinafter defined). Any benefits thereafter shall be determined in accordance with the benefit plans maintained by 70MM, and 70MM shall have no further obligation hereunder. For purposes of this Agreement, "Permanent Disability" means a physical or mental disability or infirmity of the Executive that prevents the normal performance of substantially all his duties under this Agreement as an employee of 70MM, which disability or infirmity shall exist for any continuous period of 180 days.

6. MITIGATION  
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Subject to Section 7.2, the Executive shall be required to mitigate the amount of any payment provided for in Section 4.1.1 (other than the Termination Payment) by seeking other employment or remunerative activity reasonably comparable to his duties hereunder, and any payment to be made by 70MM under Section 4.1.1 (other than the Termination Payment) will be reduced by the amount of the Executive's remuneration from such other employment or other activity during the Severance Period (whether paid or not to the Executive during such period). The Executive shall be required as a condition of any payment under Section 4.1.1 (other than the Termination Payment) promptly to disclose to 70MM any such mitigation compensation.

7. NON-SOLICITATION, CONFIDENTIALITY, NON-COMPETITION, GRANT OF RIGHTS  
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7.1. Non-solicitation. For so long as the Executive is employed by 70MM  
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and continuing for one year thereafter, notwithstanding whether the Executive's employment is terminated with or without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of 70MM and Imax Corporation, directly or indirectly, for the Executive's own benefit or the benefit of any other person, whether as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, employee, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than Imax: (x) solicit or endeavour to entice away from Imax, any person or entity who is, or, during the then most recent 12-month period, was employed by, or had served as an agent or key consultant of, Imax; or (y) solicit, endeavour to entice away or gain the custom of, canvass or interfere in Imax's relationship with any person or entity who is, or was within the then most recent 12-month period, a customer or client (or reasonably anticipated to become a customer or client) of Imax and with whom the Executive had dealings during his employment with 70MM. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.2 Non-Competition For so long as the Executive is employed by 70MM and  
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continuing for the period of time during which 70MM is obliged to pay any amounts to the Executive under Section 4.1.1 hereof (up to three years) after the date of the termination of the employment of the Executive with 70MM, notwithstanding whether the Executive's employment is terminated with or without Cause or whether the Executive resigns, the Executive shall not, without the prior written consent of Imax, directly or indirectly anywhere within Canada, the United States, Europe or Asia, as a sole proprietor, member of a partnership, stockholder or investor (other than a stockholder or investor owning not more than a 5% interest), officer or director of a corporation, or as a trustee, employee, associate, consultant, principal or agent of any person, partnership, corporation or other business organization or entity other than Imax, render any service to or in any way be affiliated with a competitor (or any person or entity that is, at the time the Executive would otherwise commence rendering services to or become, affiliated with such person or entity, reasonably anticipated to become a competitor) of Imax (a "Competitor"), which is principally engaged or reasonably anticipated to become principally engaged in designing or supplying large screen theatres, distributing projection and sound systems for large screen theatres or designing or supplying motion simulation theatres or producing or distributing films for motion simulation theatres or, where such Competitor is not principally engaged in these activities but carries on these activities as part of its business then the Executive shall not directly or indirectly provide services to such Competitor in connection with these activities. Subsequent to the period referenced above, the Executive shall be free to create and work within a "post production" business (whether or not incorporated), provided that, during the one year period following the period referenced above, no such "post-production" business shall be financed by, directly or indirectly, nor may the



Executive be directly or indirectly employed by, a direct competitor of Imax (including, without limiting the generality of the term "direct competitor", Iwerks Entertainment, Inc. or Showscan Entertainment Inc. or their successors and affiliates) in the large format film business. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof. "Post production" business is defined to include post production services related to large format motion pictures, including negative cutting, laboratory supervision, release print assembly and preparation, print quality assurance, print coating and rejuvenation, film storage and inventory control, supervision of optical effects, film production consultation, 35mm daily printdowns, color timing including V.I.S.T. timing, video mastering supervision and tape duplication and supply of ancillary products. Nothing in this provision restricts the Executive during the one year period referred to above from performing services for a direct competitor of Imax as a customer of a post production business.

7.3 Confidentiality. The Executive covenants and agrees with Imax that he

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will not at any time during employment hereunder or thereafter, except in performance of his obligations to 70MM hereunder or with the prior written consent of the President and/or Senior Operating Officer of Imax Corporation, directly or indirectly, disclose or use any secret or confidential information that he may learn or has learned by reason of his association with Imax. The term "confidential information" includes information not previously disclosed to the public or to the trade by Imax's management, or otherwise in the public domain, with respect to Imax's products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities, but shall exclude any information which (i) is or becomes available to the public or is generally known in the industry or industries in which Imax operates other than as a result of disclosure by the Executive in violation of his agreements under this Section or (ii) the Executive is required to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena or other process of law. The Executive confirms that all restrictions in this Section are reasonable and valid and waives all defences to the strict enforcement thereof.

7.4 Exclusive Property. The Executive confirms that all confidential

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information is and shall remain the exclusive property of Imax. All business records, papers and documents regardless of the form of their records kept or made by Executive relating to the business of Imax shall be and remain the property of Imax, and shall be promptly returned by the Executive to Imax upon any termination of employment.

7.5 Injunctive Relief. Without intending to limit the remedies available to

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Imax, the Executive acknowledges that a material breach of any of the covenants contained in Article 7 will result in material and irreparable injury to Imax for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, Imax shall be entitled to seek a temporary restraining order and/or a preliminary, interim or permanent injunction restraining the Executive from

engaging in activities prohibited by Article 7 or such other relief as may be required specifically to enforce any of the covenants in Article 7. The Executive waives any defences to the strict enforcement by Imax of the covenants contained in Article 7. If for any reason it is held that the restrictions under Article 7 are not reasonable or that consideration therefor is inadequate, such restrictions shall be interpreted or modified to include as much of the duration and scope identified in Article 7 as will render such restrictions valid and enforceable.

7.6 Representation. The Executive represents and warrants that he is not

subject to any non-competition covenant or any other agreement with any party which would in any manner restrict or limit his ability to render the services required of him hereunder.

7.7. Grant of Rights. The Executive hereby: (a) grants to Imax Corporation

all copyrights, patent rights and other rights in all work furnished or created by the Executive during the Employment Term; (b) agrees to sign all documents which may be required to confirm Imax Corporation's absolute ownership of such work; (c) waives the moral rights associated with such work, within the meaning of the Canadian Copyright Act; and (d) grants the Corporation the rights to and to license others to use of the name, likeness, biography and other identifications of the Executive in connection with any and all uses and promotions of such work and derivatives thereof. Without limiting the generality of the foregoing, all rights of whatsoever nature and kind (now or hereafter known) in any projects developed or contributed to by the Executive pursuant to this Agreement shall be, from the inception of the creation thereof, the exclusive property of the Corporation, and for the purposes of the United States Copyright Act same shall be deemed to constitute "works-made-for-hire"; provided that in the event that for whatever reason the Executive retains any rights in any projects, the Executive hereby assigns same exclusively to Imax Corporation and free, clear and unencumbered.

8. MISCELLANEOUS

8.1. Notices. All notices or communications hereunder shall be in writing,

addressed as follows:

To 70MM: c/o Imax Corporation  
2525 Speakman Drive  
Mississauga, Ontario  
L5K 1B1

Telecopier No: 905-403-6468

To Imax Corporation: Imax Corporation  
2525 Speakman Drive  
Mississauga, Ontario  
L5K 1B1

Telecopier No.: (905) 403-6468  
Attention: General Counsel

To the Executive: David Keighley  
7 McCarty Crescent  
Markham, Ontario  
L3P 4R4

All such notices shall be conclusively deemed to be received and shall be effective, (i) if sent by hand delivery, upon receipt or (ii) if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

8.2. Severability. Each provision of this Agreement shall be interpreted

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in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The parties agree that Section 7 shall survive the termination of this Agreement.

8.3. Assignment. This Agreement shall be binding upon and inure to the

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benefit of the heirs and representatives of the Executive and the assigns and successors of 70MM and Imax Corporation, if any are permitted by law and provided that 70MM and Imax Corporation and its assignee shall each remain liable to the Executive in the event of any assignment, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

8.4. Entire Agreement: Amendment. In addition to the letter between the

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parties dated May 27, 1997, this Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between 70 MM and Imax Corporation and the Executive. This Agreement may only be amended at any time by mutual written agreement of the parties hereto.

8.5. Withholding. The payment of any amount pursuant to this Agreement

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shall be subject to any applicable withholding and payroll taxes, and such other deductions as may be required under applicable law or 70MM's employee benefit plans, if any.

8.6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to principles of conflicts of laws.

IN WITNESS WHEREOF, 70MM, Imax Corporation and the Executive have duly executed and delivered this Agreement as of the day and year first above written.

IMAX CORPORATION:

By: /s/ John M. Davison  
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Name: John M. Davison  
Title: Executive Vice President,  
Operations and CFO

By: /s/ G. Mary Ruby  
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Name: G. Mary Ruby  
Title: Vice President, Legal  
Affairs and Corporate  
Secretary

70 MM INC.

By: /s/ G. Mary Ruby  
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Name: G. Mary Ruby  
Title: Secretary

SIGNED, SEALED AND DELIVERED  
in the presence of:

/s/ Beverly Harrison  
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Witness

EXECUTIVE:

/s/ David B. Keighley  
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David Bedford Keighley

## IMAX CORPORATION

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Significant and other major subsidiary companies of the Registrant at December 31, 1997 were:

Name of Subsidiary	Jurisdiction of Organization	Percentage held by Registrant
David Keighley Productions 70MM Inc.	Delaware	100%
Sonics Associates, Inc.	Alabama	51%
Oxmoor Corporation	Alabama	49%
Ridefilm Corporation	Delaware	100%
1236627 Ontario Inc.	Ontario	100%
Imax Japan Inc.	Japan	100%
Imax Entertainment Pte.Ltd.	Singapore	100%
Imax (Netherlands) B.V.	Netherlands	100%
Imax U.S.A. Inc.	Delaware	100%

March 27, 1998

Consent of Independent Accountants

We consent to the use of our report dated February 10, 1998 (except for Note 19 which is at March 5, 1998), on our audits of the consolidated financial statements of Imax Corporation as of December 31, 1997 and 1996 and for the years ended December 31, 1997, 1996 and 1995, which report is included in its Annual Report on Form 10-K.

/s/Coopers & Lybrand  
Chartered Accountants  
Toronto, Ontario

RESOLUTIONS OF THE BOARD OF DIRECTORS  
OF  
IMAX CORPORATION

The undersigned, being all of the directors of Imax Corporation (the "Corporation"), hereby sign the following resolution:

RESOLVED THAT:

I. APPROVAL OF FILING OF THE ANNUAL REPORT ON FORM 10-K

(1) The 1997 Annual Report of the Corporation on Form 10-K in substantially the form of the draft Form 10-K circulated to the Board of Directors of the Corporation, together with the French language version thereof to be translated by Quebec counsel to the Corporation, together with the documents incorporated therein by reference as set out in the Form 10-K, (collectively, the "10-K"), are hereby approved for filing with the Securities and Exchange Commission of the United States of America, (the "SEC") and such other regulatory authorities as may be required, subject to such amendments, variations, additions, deletions and changes as may be authorized by a Co-Chief Executive Officer.

(2) Each of the Co-Chief Executive Officers, the Executive Vice President, Operations, the Vice President and Corporate Controller and the directors of the Corporation are authorized and directed to execute, either personally or by power of attorney, and to file the 10-K, as finalized and approved by either of the Co-Chief Executive Officers of the Corporation, with the SEC and with such other regulatory authorities as may be required at such time as they deem appropriate.

(3) The officers and directors of the Corporation referred to in paragraph (2) are hereby authorized and directed to execute and file the French language versions of the 10-K, subject to receipt of favourable opinions of counsel as to the adequacy of the translation of such French language version of the 10-K.

(4) Each of the directors hereby constitutes and appoints John M. Davison and Peter J. Chilibeck and each of them severally, as his true and lawful attorney or attorneys with power of substitution and re-substitution to sign in his name, place and stead in any and all such capacities the 10-K, including the French language version thereof, and any and all amendments thereto and documents in connection therewith, and to file the same with the SEC and such other regulatory authorities as may be required, each of said attorneys to have power to act with or without the other, and to have full power and authority to do and perform, in the name and on behalf of each of the directors of the Corporation, every act whatsoever which such attorneys, or either of them, may deem necessary or desirable to be done in connection therewith as fully and to all intents and purposes as such director of the Corporation might or could do in person.

(5) The proper officers of the Corporation are hereby authorized and directed to take all necessary and advisable steps to implement the foregoing.

Dated this 27th day of March, 1998.

/s/ Bradley J. Wechsler  
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Bradley J. Wechsler

/s/ Richard L. Gelfond  
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Richard L. Gelfond

/s/ John M. Davison  
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John M. Davison

/s/ I. Graeme Ferguson  
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I. Graeme Ferguson

/s/ Michael Fuchs  
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Michael Fuchs

/s/ Garth M. Girvan  
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Garth M. Girvan

/s/ Murray B. Koffler  
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Murray B. Koffler

/s/ Philip C. Moore  
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Philip C. Moore

/s/ Miles S. Nadal  
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Miles S. Nadal

/s/ Marc A. Utay  
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Marc A. Utay