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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

OR

[ ] 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 incorporation or organization)	(I.R.S. Employer Identification Number)

2525 Speakman Drive, Mississauga, Ontario, Canada	L5K 1B1
(Address of principal executive offices)	(Postal Code)

Registrant's telephone number, including area code (905) 403-6500

NONE
(Former name or former address, if changed since last report)

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 X No

Indicate the number of shares of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of October 31, 1998
Common stock, no par value	29,557,084

IMAX CORPORATION

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FORWARD LOOKING INFORMATION

Certain statements in this Report on Form 10-Q under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" may constitute forward looking statements that involve certain risks and uncertainties which could cause actual results to differ materially from future results expressed or implied by such forward looking statements. Important factors that could effect these statements include the timing of theater system deliveries, the mix of theater systems shipped, the timing of the recognition of revenues and expenses on film production and distribution agreements, and foreign currency fluctuations. These factors and other risks and uncertainties are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 filed by the Company with the Securities and Exchange Commission.

IMAX CORPORATION

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PART I	FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS	

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

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IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
Amounts in accordance with U.S. Generally Accepted Accounting Principles
(in thousands of U.S. dollars)
(UNAUDITED)

	September 30, 1998	December 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 44,824	$ 64,069
Short-term marketable securities	22,905	10,184
Accounts receivable	39,950	32,401
Current portion of net investment in leases	8,827	6,007
Inventories and systems under construction (note 2)	24,511	21,922
Prepaid expenses	3,580	2,474
Total current assets	144,597	137,057
Long-term marketable securities	8,504	16,277
Net investment in leases	73,608	51,825
Film assets	52,008	42,036
Capital assets	45,789	41,360
Goodwill	42,025	43,915
Other assets	13,309	11,889
Total assets	$379,840	$344,359
LIABILITIES		
Current liabilities		
Accounts payable	$ 4,792	$ 7,129
Accrued liabilities	24,444	24,220
Current portion of deferred revenue	37,829	29,067
Income taxes payable	852	318
Total current liabilities	67,917	60,734
Deferred revenue	10,118	13,618
Senior notes	65,000	65,000
Convertible subordinated notes	100,000	100,000
Deferred income taxes	31,218	19,596
Total liabilities	274,253	258,948
MINORITY INTEREST	4,426	2,950
REDEEMABLE PREFERRED SHARES	1,478	1,344
COMMITMENTS AND CONTINGENCIES (notes 3 and 4)		
SHAREHOLDERS' EQUITY		
Capital stock	54,076	52,604
Retained earnings	45,859	28,642
Cumulative translation adjustment	(252)	(129)
Total shareholders' equity	99,683	81,117
Total liabilities and shareholders' equity	$379,840	$344,359

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 10.)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Amounts in accordance with U.S. Generally Accepted Accounting Principles
(in thousands of U.S. dollars, except per share amounts)
(UNAUDITED)

	Three months ended September 30, 1998	Three months ended September 30, 1997	Nine months ended September 30, 1998	Nine months ended September 30, 1997
Revenue				
Systems	$35,793	$22,477	$ 93,047	$ 60,456
Films	5,163	10,521	18,986	33,468
Other	2,877	2,893	10,742	9,949
	43,833	35,891	122,775	103,873
COSTS AND EXPENSES	17,845	15,558	51,722	47,949
GROSS MARGIN	25,988	20,333	71,053	55,924
Selling, general and administrative expenses	7,790	6,880	25,686	21,569
Research and development	865	620	2,224	1,429
Amortization of intangibles	631	632	1,890	1,907
EARNINGS FROM OPERATIONS	16,702	12,201	41,253	31,019
Interest income	1,044	1,645	3,448	4,485
Interest expense	(3,310)	(3,340)	(9,927)	(9,972)
Foreign exchange loss	(120)	(98)	(349)	(76)
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	14,316	10,408	34,425	25,456
Provision for income taxes	(6,322)	(4,536)	(15,469)	(11,281)
EARNINGS BEFORE MINORITY INTEREST	7,994	5,872	18,956	14,175
Minority interest	(874)	(387)	(1,476)	(844)
NET EARNINGS	$ 7,120	$ 5,485	$ 17,480	$ 13,331
EARNINGS PER SHARE (NOTE 5)				
Basic	$0.24	$0.19	$0.59	$0.46
Diluted	$0.23	$0.18	$0.57	$0.44

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 10.)

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
Amounts in accordance with U.S. Generally Accepted Accounting Principles
(in thousands of U.S. dollars)
(UNAUDITED)

	Nine months ended September 30, 1998	1997
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	$ 17,480	$ 13,331
Items not involving cash:		
Depreciation and amortization	11,430	9,926
Deferred income taxes	11,673	8,024
Minority interest	1,476	844
Amortization of discount on senior notes	--	311
Other	1,354	115
Change in net investment in leases	(24,842)	(9,261)
Change in deferred revenue on film production	4,725	(5,841)
Changes in non-cash operating assets and liabilities	(11,925)	(13,721)
Net cash provided by operating activities	11,371	3,728
INVESTING ACTIVITIES		
Increase in marketable securities	(4,882)	(8,803)
Increase in film assets	(14,401)	(17,137)
Purchase of capital assets	(9,467)	(8,840)
Increase in other assets	(3,038)	(3,242)
Net cash used in investing activities	(31,788)	(38,022)
FINANCING ACTIVITIES		
Repayment of long-term debt	--	(1,201)
Class C preferred shares dividends paid	(386)	--
Common shares issued	1,472	4,993
Net cash provided by financing activities	1,086	3,792
Effect of exchange rate changes on cash	86	243
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(19,245)	(30,259)
Cash and cash equivalents, beginning of period	64,069	102,589
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44,824	$ 72,330

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 10.)

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
In accordance with U.S. Generally Accepted Accounting Principles
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)
For the Nine Month Periods Ended September 30, 1998 and 1997
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Imax Corporation and its wholly-owned and majority owned subsidiaries. The nature of the Company's business is such that the results of operations for the interim periods presented are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

These financial statements should be read in conjunction with the Company's most recent annual report on Form 10-K for the year ended December 31, 1997 which should be consulted for a summary of the significant accounting policies utilized by the Company.

2. INVENTORIES AND SYSTEMS UNDER CONSTRUCTION

	September 30, 1998	December 31, 1997
Raw materials	$ 9,326	$ 6,943
Work-in-process	14,672	14,508
Finished goods	513	471
	$24,511	$21,922

3. 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 financial institutions.

To fund Canadian dollar costs through February 2000, the Company had entered into forward exchange contracts as at September 30, 1998 to hedge the conversion of $44.0 million of its cash flow into Canadian dollars at an average exchange rate of Canadian $1.44 per U.S. dollar. In addition, the Company had entered into forward exchange contracts as at September 30, 1998 to hedge the conversion of 149.2 million Yen of its cash flow in 1998 and 1999 into U.S. dollars at an average exchange rate of 134 Yen 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 139 million Yen at 98 Yen per U.S. dollar through September 2004 and on 15.5 million Francs at 5.1 Francs per U.S. dollar through September 2005.

These hedging contracts are expected to be held to maturity; however, if they were terminated on September 30, 1998, the Company would have realized a loss of approximately $2.1 million based on the then prevailing exchange rates.

4. 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 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 claimed damages of Canadian $4.6 million, representing the amount of profit they claimed 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-judgment interest.

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 disputed these claims, and the suit went to trial in January 1998. In a decision rendered in April 1998, the Court dismissed the plaintiffs' claims with costs. In May 1998, Compagnie France Film Inc. and 3101 both filed appeals of the April 1998 decision to the Court of Appeal. The Company believes that it will be successful in responding to these appeals 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 was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgement in April 1998. In May 1998, Iwerks Entertainment, Inc. filed an appeal of this decision. The amount of the loss, if any, cannot be determined at this time.

(c) 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 claimed to have pursued with the Company. The plaintiff was seeking unquantified damages. The Company disputed this claim and intended to vigorously defend this action. In April 1998, the plaintiff filed a voluntary dismissal of its claim. In October 1998, counsel to the plaintiff advised the Company's counsel that the claim is being refiled. The amount of loss, if any, cannot be determined at this time.

(Tabular amounts in thousands of U.S. dollars unless otherwise stated)

4. CONTINGENCIES (CONT'D)

(d) 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.

5. EARNINGS PER SHARE

(a) 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. Earnings per share data for the prior year periods give effect to the stock split as if it had taken place at the beginning of the respective period.

(b) Reconciliations of the numerators and denominators of the basic and diluted per-share computations are as follows:

	Three months ended September 30, 1998	Three months ended September 30, 1997	Nine months ended September 30, 1998	Nine months ended September 30, 1997
Net earnings available to common shareholders:				
Net earnings	$ 7,120	$ 5,485	$17,480	$13,331
Less:				
Accrual of dividends on preferred shares	(43)	(43)	(128)	(128)
Accretion of discount of preferred shares	(46)	(41)	(135)	(119)
Net earnings used in computing basic earnings per share	7,031	5,401	17,217	13,084
Interest expense on Convertible Subordinated Notes, net of tax	885	--	1,769	--
Net earnings used in computing diluted earnings per share	$ 7,916	$ 5,401	$18,986	$13,084
Weighted average number of common shares (000's):				
Issued and outstanding at beginning of period	29,280	28,966	29,115	27,885
Weighted average shares issued in the period	23	36	131	482
Weighted average used in computing basic earnings per share	29,303	29,002	29,246	28,367
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	1,031	1,378	1,156	1,697
Assumed conversion of Convertible Subordinated Notes	4,672	--	3,115	--
Weighted average used in computing diluted earnings per share	35,006	30,380	33,517	30,064

5. EARNINGS PER SHARE (CONT'D)

Common shares potentially issuable pursuant to the Convertible Subordinated Notes were excluded from the computations for the three months ended March 31, 1998 and the three and nine months ended September 30, 1997 since they would have had an antidilutive effect on earnings per share. Options to purchase 2.2 million common shares at an average price of $23.32 per share were outstanding in the third quarter of 1998 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the period and their inclusion would have been antidilutive.

6. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, became effective for the Company's 1998 fiscal year. Comprehensive income items include certain gains and losses, such as foreign currency translation adjustments, that bypass the Company's net earnings and are accumulated directly in shareholders' equity. Comprehensive income was $7,099,000 and $5,613,000 for the three months ended September 30, 1998 and 1997, respectively and $17,426,000 and $13,543,000 for the nine months ended September 30, 1998 and 1997, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THEATER SIGNINGS AND BACKLOG

During the third quarter of 1998, the Company signed contracts for 14 IMAX theater systems valued at $41.9 million, representing a 3% increase over the $40.6 million value of the 16 theater systems (including one theater in which the Company had an equity interest) signed in the third quarter of 1997. The Company does not attribute any value to theaters in which it has an equity interest in its signing totals. For the nine months ended September 30, 1998, the Company signed contracts for 35 theater systems valued at $102.3 million, a 15% increase over the $89.1 million value of the 40 contracts (including seven theaters in which the Company had an equity interest) signed in the prior year period. The increase in the average theater value signed in the nine months ended September 30, 1998 versus the prior year period is due to the increase in the number of IMAX 3D theater system signings and international theater signings. As a result of these theater signings, the Company's sales backlog grew to $195.6 million at September 30, 1998, a 3% increase from $189.2 million at June 30, 1998 and a 12% increase from $175.4 million at December 31, 1997.

One of the Company's customers in Asia has been severely affected by the economic turmoil and is in default of their agreement to open two Imax theaters. The Company has reduced backlog by these two deals and will attempt to reach a settlement with the customer.

The Company's sales backlog at September 30, 1998 represented contracts for 84 theater systems, including the upgrade of two existing theaters to IMAX 3D. Most of the 41 IMAX 3D SR theater systems in backlog represent theater systems contracted for under multi-theater exhibitor agreements and may be replaced in backlog by larger IMAX 3D theater systems when specific theater locations are determined in the future. There are 13 theater systems in backlog which will be located at theaters in which the Company has an equity interest. The Company's sales backlog will vary from quarter to quarter depending on the signing of new systems which adds to backlog and the delivery of systems which reduces backlog. Sales backlog represents the minimum revenues under 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 theaters in which the Company has an equity interest, letters of intent, IMAX(R) Ridefilm(TM) system contracts or long-term conditional theater commitments.

As of September 30, 1998, there were 26 IMAX Ridefilm theaters in operation and a backlog of 15 IMAX Ridefilm systems, including six upgrades.

THREE MONTHS ENDED SEPTEMBER 30, 1998 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 1997

The Company reported net earnings of $7.1 million or $0.23 per share on a diluted basis for the third quarter of 1998 compared to $5.5 million or $0.18 per share on a diluted basis for the third quarter of 1997. Earnings per share information for the prior year period has been adjusted for the adoption of Financial Accounting Standards No. 128 which became effective by December 15, 1997.

The Company's revenues for the third quarter of 1998 increased 22% to $43.8 million from $35.9 million in the corresponding quarter last year as a result of growth in systems revenue which more than offset a decline in film revenue.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

THEATER SIGNINGS AND BACKLOG (CONT'D)

Systems revenue, which includes revenue from theater system sales and leases, royalties and maintenance fees, increased approximately 59% to $35.8 million in the third quarter of 1998 from $22.5 million in the same quarter last year. The Company delivered nine theater systems in the third quarter of 1998 versus five theater systems in the third quarter of 1997.

Film revenue comprises revenue recognized from film production, film distribution and film post-production activities. Film revenue decreased 51% to $5.2 million in the third quarter of 1998 from $10.5 million in the same quarter last year due to a reduction in film distribution revenue and film post-production revenue. Film distribution revenue was lower in the third quarter of 1998 compared to the third quarter of 1997 due to the timing of Imax distributed film releases. The Company's major 1998 film releases will not occur until the fourth quarter. Film post-production revenue declined over the prior year period due to a non-recurring revenue item included in 1997.

Other revenues were consistent at $2.9 million in the current and prior year quarter. There were no IMAX Ridefilm systems delivered in the third quarter of 1998 or 1997.

Gross margin for the third quarter of 1998 was $26.0 million, or 59% of total revenue, compared to $20.3 million, or 57% of total revenue, in the corresponding quarter last year. The increase in gross margin as a percentage of total revenue is due to the higher proportion of systems revenue (which is generally higher margin than film and other revenues) in the third quarter of 1998 compared to the corresponding quarter in 1997.

Selling, general and administrative expenses were $7.8 million in the third quarter of 1998 compared to $6.9 million in the corresponding quarter last year. The increase in selling, general and administrative expenses in 1998 over 1997 resulted from an increase in affiliate relations initiatives, marketing efforts and staffing additions in the Company's film department, particularly in marketing and distribution.

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

NINE MONTHS ENDED SEPTEMBER 30, 1998 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1997

The Company reported net earnings of $17.5 million or $0.57 per share on a diluted basis for the first nine months of 1998 compared to $13.3 million or $0.44 per share on a diluted basis for the first nine months of 1997. Earnings per share information for the prior year period has been adjusted for the 2-for-1 stock split which became effective by May 27, 1997 and the adoption of FASB 128 which became effective by December 15, 1997.

The Company's revenues for the first nine months of 1998 increased 18% to $122.8 million from $103.9 million in the corresponding period last year primarily as a result of an increase in systems revenue which more than offset a decline in film revenue.

Systems revenue increased approximately 54% to $93.0 million in the first nine months of 1998 from $60.5 million in the same period last year as the Company recognized revenues on 25 theater systems compared to 14 theater systems in the same period last year. Recurring revenues from both royalties (net of arrears billings in 1997) and maintenance fees increased 10% in the first nine months of 1998 over the prior year period due to growth in the IMAX theater network.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

THEATER SIGNINGS AND BACKLOG (CONT'D)

Film revenue decreased 43% to $19.0 million in the first nine months of 1998 from $33.5 million in the same period last year due mainly to declines in film production and film distribution revenues. Film production revenue declined by $5.8 million in the first nine months of 1998 versus last year. In 1997 the Company completed and delivered a third party film to a sponsor whereas in 1998 it has been producing its own film projects. Film distribution revenue decreased 45% in the first nine months of 1998 compared to the same period last year due to the timing of film releases as the Company's major 1998 film releases will not occur until the fourth quarter of 1998.

Gross margin for the first nine months of 1998 was $71.1 million, or 58% of total revenue, compared to $55.9 million, or 54% of total revenue, in the corresponding period last year. The increase in gross margin as a percentage of total revenue is primarily due to the higher proportion of systems revenue (which has generally a higher margin than film and other revenue) in the first nine months of 1998 compared to the corresponding period in 1997.

Selling, general and administrative expenses were $25.7 million in the first nine months of 1998 compared to $21.6 million in the first nine months of 1997. The increase in selling, general and administrative expenses in 1998 over 1997 is the result of several factors including an increase in performance based compensation, increased affiliate relations initiatives and staffing additions in the Company's film area, particularly in marketing and distribution.

Research and development expenses were $2.2 million in the first nine months of 1998 compared to $1.4 million in the first nine months last year. The higher level of expenses in 1998 reflects costs associated with the development of a new sound system. The research and development expenses incurred in the first half of 1997 were lower than historical levels as some of the Company's technical staff had been redirected to the design and production of the new IMAX 3D SR theater system and were not engaged in research and development activities.

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

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1998, the Company's principal source of liquidity included cash and cash equivalents of $44.8 million, marketable securities totalling $31.4 million, trade accounts receivable of $40.0 million, net investment in leases due within one year of $8.8 million and the amounts receivable under contracts in backlog which are not yet reflected on the balance sheet.

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.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

The 5 3/4 % Convertible Subordinated Notes (the "Subordinated Notes") due April 1, 2003 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 Subordinated Notes) at any time prior to maturity. The Subordinated 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 cash payments before it completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures. These cash flows have generally been adequate to finance the ongoing operations of the Company.

In the first nine months of 1998, cash provided by operating activities amounted to $11.4 million after the payment of interest on the Senior and Convertible Notes totaling $9.4 million, an increase of $24.8 million in net investment in leases related to theater systems delivered under sales-type lease agreements in the first nine months of 1998 and a $7.6 million increase in accounts receivable principally attributable to up-fronts billed in connection with the higher signings and delivery activities. Cash flow from operations also includes an increase of $4.7 million in funds held for sponsored film productions which will be expended in future periods.

Cash used in investing activities in the first nine months of 1998 included: an increase of $4.9 million in marketable securities; an increase in film assets of $14.4 million, primarily related to T-REX: Back to the Cretaceous, Galapagos and other films in development; expenditures of $9.5 million on capital assets, principally wholly-owned theaters, cameras, a building expansion at Sonics Associates and other assets under construction; and an increase in other assets of $3.0 million, primarily related to joint venture operations.

During the first nine months of 1998, cash provided by financing activities included $1.5 million of proceeds from common shares issued under the Company's stock option plan partially reduced by a payment of accrued dividends on the Class C preferred shares totalling $0.4 million.

The Company believes that cash flows from operations together with existing cash balances and the working capital facility will continue to be sufficient to meet cash requirements in the foreseeable future.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONT'D)

IMPACT OF YEAR 2000

The Year 2000 issue involves the inability of computer programs and computer chips to distinguish between the year 1900 and the year 2000.

The Company has assessed, and continues to assess, the impact of the Year 2000 issue on its operations including information technology and non-information technology systems.

The Company has decided to upgrade its key information technology systems, in particular, the cost accounting and financial software systems, in the first quarter of 1999. The Company believes that with this upgrade, the Year 2000 issue will not pose any significant operational problem for its cost accounting and financial software systems. Although final cost estimates have yet to be determined, it is expected that upgrading these systems will not have a material effect on the Company's financial position or its results of operations in 1998 and 1999.

The Company has been evaluating its non-information technology systems including the projector and sound systems to determine whether those systems are Year 2000 compliant. While to date the Company has found no Year 2000 incompatibility, the Company will continue its evaluation and analysis at minimal cost and expects to complete this evaluation and analysis in the first quarter of 1999.

The impact of the Year 2000 issue on the Company will also be affected by the Year 2000 readiness of its customers; suppliers of raw materials, components and software; and providers of facilities, equipment and services. Failure by these parties to be Year 2000 compliant may adversely impact the Companies production, revenue and the timing of cash receipts.

The Company has begun to make inquiries of such third parties (principally, suppliers and providers) in this regard, and based on the responses to these inquiries, the Company will decide by the end of the second quarter of 1999 to what extent a contingency plan needs to be developed.

There is no assurance that a material adverse effect on the Company may be avoided due to the failure of such third parties to address the Year 2000 issue in a timely fashion.

PART II OTHER INFORMATION

ITEM 1. 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, 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 claimed damages of Canadian $4.6 million, representing the amount of profit they claimed 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

ITEM 1. LEGAL PROCEEDINGS (CONT'D)

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 disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the Court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiffs and 3101 both filed appeals of the decision to the Court of Appeal. The Company believes that the amount of loss, if any, will not have a material impact on the financial position or results of operation 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. engaged in unfair competition and 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 unfair competition and trade secret status issues, and entered a judgment for the defendants. The Company filed an appeal of this decision to the U.S. Court of Appeal for the Ninth Circuit, and on August 19, 1998 it affirmed the granting of the motion based on the trade secrets claim, but vacated and reversed, and remanded for further proceedings, with respect to the Company's unfair competition claim. The case was returned to the trial court in October 1998; a hearing date has not yet been fixed.

Iwerks Entertainment, Inc. ("Iwerks") 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 was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgment in April 1998. In May 1998, Iwerks filed an appeal of this decision to the U.S. Court of Appeals for the Ninth Circuit. The amount of 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 claimed to have pursued with the Company. The plaintiff was seeking unquantified damages. The Company disputed this claim and intended to vigorously defend this action. In April 1998, the plaintiff filed a voluntary dismissal of its claim. In October 1998, counsel to the plaintiff advised the Company's counsel that the claim is being refiled. 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.1 Employment Agreement, dated July 1, 1998, between Imax Corporation and Richard L. Gelfond.

10.2 Employment Agreement, dated July 1, 1998, between Imax Corporation and Bradley J. Wechsler.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed in the three month period ended September 30, 1998.

SIGNATURES

Pursuant to the requirements 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

Date: November 12, 1998

By: /s/ John M. Davison

John M. Davison
Executive Vice President, Operations
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT 10.1

EMPLOYMENT AGREEMENT dated and effective as of July 1, 1998 (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 January 1, 1997, (the "1997 Agreement"); and

WHEREAS, the Imax Board of Directors (the "Board") has approved revised terms of employment, effective July 1, 1998, on August 26, 1998; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to continue 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 continued employment as Co-Chief Executive Officer under this Agreement shall commence effective July 1, 1998, and shall continue until June 30, 2001 (the "Employment Term").

(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. It is anticipated that 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, which portion shall constitute a significant majority of his business time. 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. $500,000 per annum, payable no less 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 1998, 1999, 2000 and the period January 1, 2001 to June 30, 2001 at a level of U.S. $605,000, U.S. $500,000, U.S. $500,000, and U.S. $250,000 (subject to adjustment as described below), respectively, (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors (as defined in Imax's Articles of Incorporation), for so long as Imax continues to have 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 (excluding any extraordinary charges approved by the Board), or the six months ended June 30, 2001, as the case may be, 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).

Among the various factors the Committee shall consider in determining the bonus to be paid for 1998, and, subject to amendment from year to year by the Committee, after good faith consultation with the Executive, for 1999, 2000 and 2001, 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): (A) progress in theater signings, (B) development of an enhanced management team, (C) improved performance of the Ridefilm division (for 1998 only), (D) further advancement of Imax's film strategy, (E) progress in "owned and operated" strategy (this factor to have diminishing weighting beyond 1998, as Imax's "owned and operated" emphasis refocuses on theatre joint ventures with conventional cinema operators), (F) brand development, (G) continued growth of the business, and (H) other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

The bonus for 1998, 1999 and 2000 shall be paid within 50 days of the applicable year-end, and for the period January 1, 2001 to June 30, 2001 within 50 days of June 30, 2001.

(g) Pursuant to the 1997 Agreement, at the beginning of each of 1997 and 1998, Imax granted the Executive the right to receive 30,000 common shares (on a post-split basis) of Imax (the "Restricted Stock"), or, if such Restricted Stock may not be issued without shareholder approval, the 1997 Agreement provided it shall be issued as "phantom stock". The Executive has the right to request the Restricted Stock granted on January 1, 1997 and January 1, 1998 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. It is hereby agreed that one half (i.e. 15,000) of such Restricted Stock / "phantom stock" for 1998 shall be cancelled forthwith, and that the Executive shall continue to have the right to the 30,000 Restricted Stock / "phantom stock" that have vested, and the remaining 15,000 Restricted Stock / "phantom stock" that shall vest on January 1, 1999. The Restricted Stock / "phantom stock" shall be adjusted for stock splits and other similar events. 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 benefits to the Executive with respect to the Restricted Stock / "phantom stock" which arises prior to the date of any such request (it being understood that this indemnity relates to the timing of the payment of such taxes and not the ultimate tax payable). Any request for payment with respect to "phantom stock" must be made on or before December 31, 2009, after which date such "phantom stock" shall lapse. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) Stock Options - Grant & Vesting. The Executive has been granted effective August 26, 1998, in accordance with the terms of the Imax Stock Option Plan (the "SOP"), 378,000 options to purchase common shares, and effective January 1, 1999 shall be granted a further 400,000 options, as follows:

Number of Options	Grant Date	Exercise Price	Vesting Date
111,333	August 26, 1998	$22.38	August 26, 1998
100,000	August 26, 1998	$22.38	January 1, 1999
166,667*	August 26, 1998	$22.38	January 1, 1999
266,667*	January 1, 2000	to be determined	January 1, 2000
133,333*	January 1, 2000	to be determined	January 1, 2001
778,000			

* These options are subject to Imax obtaining any required regulatory and shareholder approvals.

The exercise price of all options granted on August 26, 1998 in accordance with the SOP is U.S. $22.38, and all such options shall expire on August 25, 2008. The exercise price of all options to be granted on January 1, 2000 shall be determined in accordance with the

SOP, and all such options shall expire on December 31, 2009. Should any required regulatory or shareholder approvals with respect to the granting of the 566,667 options subject thereto not be obtained by Imax, Imax shall make such adjustments to the Executive's compensation hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received. The provisions of this Section 1(h) shall survive any termination of this Agreement.

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.

Resignation / Termination. If the Executive shall voluntarily resign prior to the end of the Employment Term, (i) all unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately upon such resignation, and (ii) all vested options shall remain exercisable for the duration of their original term.

If (i) the employment of the Executive is not continued after the end of the Employment Term, (ii) the Executive is terminated by Imax without "Cause" (as defined below), or (iii) the Executive suffers a "Permanent Disability" (as defined in the SOP), or dies: all options granted on or before August 26, 1998 shall remain exercisable for the duration of their original term.

Change of Control. Upon a "change of control" of Imax (i.e. any person or persons acting in concert acquiring greater than 50% of the outstanding common shares of Imax, whether by direct or indirect acquisition or as a result of a merger or reorganization), the vesting of the options granted on August 26, 1998 and/or January 1, 1999 shall be accelerated as follows:

Change of Control Period	% of Options Subject to Accelerated Vesting
On or Prior to December 31, 1998	12.5% of options scheduled to vest on January 1, 1999
January 1, 1999 to June 30, 1999	25% of options scheduled to vest on January 1, 2000 *
July 1, 1999 to December 31, 1999	50% of options scheduled to vest on January 1, 2000 *
January 1, 2000 to June 30, 2000	25% of options scheduled to vest on January 1, 2001
July 1, 2000 to December 31, 2000	50% of options scheduled to vest on January 1, 2001

* If a "change of control" occurs prior to the grant of such options on January 1, 2000, stock appreciation rights ("SARs") equivalent in number to the options subject to accelerated vesting shall be granted, with a reference price of U.S. $22.38, and an expiry date of December 31, 2009. The SARs shall be treated, in connection with a "change of

control", in the same manner as if they were options (i.e. a cash offer for all shares and options would trigger a payout of the SARs; a "rollover" of options would result in the continuation of the SARs, reflecting the relevant exchange ratio and with reference to the price of the substituted shares).

Miscellaneous. If the Executive is terminated with "Cause", the Executive's unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately, and all of the Executive's vested options must be exercised within 90 days of termination, after which date they shall be cancelled. "Cause" for purposes of this Section 1(g) only means any willful and material violation by the Executive of any law or regulation applicable to the business of Imax or one of its subsidiaries, or the Executive's conviction of a felony, or any willful perpetration by the Executive of a common law fraud. Imax's remedy for a "breach of restrictive covenants" shall be the specific enforcement thereof, and not the application of Section 14 of the SOP; and Imax shall be entitled to seek any other legal and equitable remedies it may have against the Executive. In the event of any conflict between the provisions of this Agreement and the provisions of the SOP, the provisions of this Agreement shall prevail.

(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 term of the Executive's employment hereunder, 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 for movie rides (collectively, "Competitive Business"); provided, however, that, notwithstanding 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 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 matter or under the subpoena or other process of law.

4. Assignment. Neither this Agreement nor any right, interest or 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 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 any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

9. Injunctive Relief. Without intending to limit the remedies available 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 my 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 parties with respect to the subject matter hereof and, from the effective date hereof, 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 (i) the 45,000 (post-split) Restricted Stock / "phantom stock" granted pursuant to Section 1(g) of the 1997 Agreement, as reduced from 60,000 (post-split) pursuant to Section 1(g) of this Agreement, (ii) the 40,000 options (for 80,000 post-split shares) granted January 2, 1997 and the 80,000 options (for 80,000 post-split shares) granted January 2, 1998, or (iii) the Special Bonus (as defined in Section 1(g) of the Employment Agreement between Imax and the Executive dated as of March 1, 1994) payable after a sale of Imax or upon the exercise of the Executive's liquidation rights. Further, for so long as the Executive is the Co-CEO, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and, for so long as Imax continues to have CEO Advisors, to the designation as a CEO Advisor under Imax's by-laws, provided that nothing in this sentence shall abrogate any rights the Executive may have pursuant to any other agreement. 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 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 3rd day of November, 1998.

IMAX CORPORATION

By: /s/ Garth M. Girvan

Garth M. Girvan
Director

By: /s/ John M. Davison

John M. Davison
Executive Vice President, Operations
and Chief Financial Officer

EXECUTIVE

/s/ Richard L. Gelfond

RICHARD L. GELFOND

EXHIBIT 10.2

EMPLOYMENT AGREEMENT dated and effective as of July 1, 1998 (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 January 1, 1997, (the "1997 Agreement"); and

WHEREAS, the Imax Board of Directors (the "Board") has approved revised terms of employment, effective July 1, 1998, on August 26, 1998; and

WHEREAS, Imax wishes to enter into this Agreement to engage the Executive to continue 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 continued employment as Co-Chief Executive Officer under this Agreement shall commence effective July 1, 1998, and shall continue until June 30, 2001 (the "Employment Term").

(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. It is anticipated that 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, which portion shall constitute a significant majority of his business time. 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. $500,000 per annum, payable no less 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 1998, 1999, 2000 and the period January 1, 2001 to June 30, 2001 at a level of U.S. $605,000, U.S. $500,000, U.S. $500,000, and U.S. $250,000 (subject to adjustment as described below), respectively, (the "Standard"). Based on certain qualitative and quantitative measures determined by the CEO Advisors (as defined in Imax's Articles of Incorporation), for so long as Imax continues to have 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 (excluding any extraordinary charges approved by the Board), or the six months ended June 30, 2001, as the case may be, 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).

Among the various factors the Committee shall consider in determining the bonus to be paid for 1998, and, subject to amendment from year to year by the Committee, after good faith consultation with the Executive, for 1999, 2000 and 2001, 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): (A) progress in theater signings, (B) development of an enhanced management team, (C) improved performance of the Ridefilm division (for 1998 only), (D) further advancement of Imax's film strategy, (E) progress in "owned and operated" strategy (this factor to have diminishing weighting beyond 1998, as Imax's "owned and operated" emphasis refocuses on theatre joint ventures with conventional cinema operators), (F) brand development, (G) continued growth of the business, and (H) other performance related issues including, but not limited to, other goals established in the budget process approved by the Board.

The bonus for 1998, 1999 and 2000 shall be paid within 50 days of the applicable year-end, and for the period January 1, 2001 to June 30, 2001 within 50 days of June 30, 2001.

(g) Pursuant to the 1997 Agreement, at the beginning of each of 1997 and 1998, Imax granted the Executive the right to receive 30,000 common shares (on a post-split basis) of Imax (the "Restricted Stock"), or, if such Restricted Stock may not be issued without shareholder approval, the 1997 Agreement provided it shall be issued as "phantom stock". The Executive has the right to request the Restricted Stock granted on January 1, 1997 and January 1, 1998 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. It is hereby agreed that one half (i.e. 15,000) of such Restricted Stock / "phantom stock" for 1998 shall be cancelled forthwith, and that the Executive shall continue to have the right to the 30,000 Restricted Stock / "phantom stock" that have vested, and the remaining 15,000 Restricted Stock / "phantom stock" that shall vest on January 1, 1999. The Restricted Stock / "phantom stock" shall be adjusted for stock splits and other similar events. 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 benefits to the Executive with respect to the Restricted Stock / "phantom stock" which arises prior to the date of any such request (it being understood that this indemnity relates to the timing of the payment of such taxes and not the ultimate tax payable). Any request for payment with respect to "phantom stock" must be made on or before December 31, 2009, after which date such "phantom stock" shall lapse. The provisions of this Section 1(g) shall survive any termination of this Agreement.

(h) Stock Options - Grant & Vesting. The Executive has been granted effective August 26, 1998, in accordance with the terms of the Imax Stock Option Plan (the "SOP"), 378,000 options to purchase common shares, and effective January 1, 1999 shall be granted a further 400,000 options, as follows:

Number of Options	Grant Date	Exercise Price	Vesting Date
111,333	August 26, 1998	$22.38	August 26, 1998
100,000	August 26, 1998	$22.38	January 1, 1999
166,667*	August 26, 1998	$22.38	January 1, 1999
266,667*	January 1, 2000	to be determined	January 1, 2000
133,333*	January 1, 2000	to be determined	January 1, 2001
778,000			

* These options are subject to Imax obtaining any required regulatory and shareholder approvals.

The exercise price of all options granted on August 26, 1998 in accordance with the SOP is U.S. $22.38, and all such options shall expire on August 25, 2008. The exercise price of all options to be granted on January 1, 2000 shall be determined in accordance with the

SOP, and all such options shall expire on December 31, 2009. Should any required regulatory or shareholder approvals with respect to the granting of the 566,667 options subject thereto not be obtained by Imax, Imax shall make such adjustments to the Executive's compensation hereunder as will put the Executive in the same after-tax financial position as he would have been if such approvals had been received. The provisions of this Section 1(h) shall survive any termination of this Agreement.

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.

<u>Resignation / Termination.</u> If the Executive shall voluntarily resign prior to the end of the Employment Term, (i) all unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately upon such resignation, and (ii) all vested options shall remain exercisable for the duration of their original term.

If (i) the employment of the Executive is not continued after the end of the Employment Term, (ii) the Executive is terminated by Imax without "Cause" (as defined below), or (iii) the Executive suffers a "Permanent Disability" (as defined in the SOP), or dies: all options granted on or before August 26, 1998 shall remain exercisable for the duration of their original term.

<u>Change of Control.</u> Upon a "change of control" of Imax (i.e. any person or persons acting in concert acquiring greater than 50% of the outstanding common shares of Imax, whether by direct or indirect acquisition or as a result of a merger or reorganization), the vesting of the options granted on August 26, 1998 and/or January 1, 1999 shall be accelerated as follows:

Change of Control Period	% of Options Subject to Accelerated Vesting
On or Prior to December 31, 1998	12.5% of options scheduled to vest on January 1, 1999
January 1, 1999 to June 30, 1999	25% of options scheduled to vest on January 1, 2000 *
July 1, 1999 to December 31, 1999	50% of options scheduled to vest on January 1, 2000 *
January 1, 2000 to June 30, 2000	25% of options scheduled to vest on January 1, 2001
July 1, 2000 to December 31, 2000	50% of options scheduled to vest on January 1, 2001

* If a "change of control" occurs prior to the grant of such options on January 1, 2000, stock appreciation rights ("SARs") equivalent in number to the options subject to accelerated vesting shall be granted, with a reference price of U.S. $22.38, and an expiry date of December 31, 2009. The SARs shall be treated, in connection with a "change of

control", in the same manner as if they were options (i.e. a cash offer for all shares and options would trigger a payout of the SARs; a "rollover" of options would result in the continuation of the SARs, reflecting the relevant exchange ratio and with reference to the price of the substituted shares).

Miscellaneous. If the Executive is terminated with "Cause", the Executive's unvested options (including those granted pursuant to previous employment agreements between Imax and the Executive) shall be cancelled immediately, and all of the Executive's vested options must be exercised within 90 days of termination, after which date they shall be cancelled. "Cause" for purposes of this Section 1(g) only means any willful and material violation by the Executive of any law or regulation applicable to the business of Imax or one of its subsidiaries, or the Executive's conviction of a felony, or any willful perpetration by the Executive of a common law fraud. Imax's remedy for a "breach of restrictive covenants" shall be the specific enforcement thereof, and not the application of Section 14 of the SOP; and Imax shall be entitled to seek any other legal and equitable remedies it may have against the Executive. In the event of any conflict between the provisions of this Agreement and the provisions of the SOP, the provisions of this Agreement shall prevail.

(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 term of the Executive's employment hereunder, 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 for movie rides (collectively, "Competitive Business"); provided, however, that, notwithstanding 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 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 matter or under the subpoena or other process of law.

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

784 Park Avenue, Apt 7B
New York, NY, 10028

8. <u>Severability; Waiver.</u> If any provision of this Agreement shall be 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 any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

9. <u>Injunctive Relief.</u> Without intending to limit the remedies available 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 my be, shall be entitled to seek such injunctive relief as may be required specifically to enforce any such covenant.

10. <u>Miscellaneous.</u> This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and, from the effective date hereof, 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 (i) the 45,000 (post-split) Restricted Stock / "phantom stock" granted pursuant to Section 1(g) of the 1997 Agreement, as reduced from 60,000 (post-split) pursuant to Section 1(g) of this Agreement, (ii) the 40,000 options (for 80,000 post-split shares) granted January 2, 1997 and the 80,000 options (for 80,000 post-split shares) granted January 2, 1998, or (iii) the Special Bonus (as defined in Section 1(g) of the Employment Agreement between Imax and the Executive dated as of March 1, 1994) payable after a sale of Imax or upon the exercise of the Executive's liquidation rights. Further, for so long as the Executive is the Co-CEO, Imax shall continue to use its best efforts to cause the Executive to be elected to the Board and, for so long as Imax continues to have CEO Advisors, to the designation as a CEO Advisor under Imax's by-laws, provided that nothing in this sentence shall abrogate any rights the Executive may have pursuant to any other agreement. 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 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 3rd day of November, 1998.

IMAX CORPORATION

By: /s/ Garth M. Girvan

Garth M. Girvan
Director

By: /s/ John M. Davison

John M. Davison
Executive Vice President, Operations
and Chief Financial Officer

EXECUTIVE

/s/ Bradley J. Wechsler

BRADLEY J. WECHSLER