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, 2004

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

N/A
(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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
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 15, 2004
Common stock, no par value	39,315,491

IMAX CORPORATION

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements included in this quarterly report may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business and operations, plans and references to the future success of IMAX Corporation together with its wholly-owned subsidiaries (the "Company") and expectations regarding the Company's future operating results. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the expectations and predictions of the Company is subject to a number of risks and uncertainties, including, but not limited to, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other companies; conditions in the out-of-home entertainment industry; changes in laws or regulations; conditions in the commercial exhibition industry; the acceptance of the Company's new technologies; risks associated with investments and operations in foreign jurisdictions and any future international expansion, including those related to economic, political and regulatory policies of local governments and laws and policies of the United States and Canada; the potential impact of increased competition in the markets the Company operates within; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this quarterly report are qualified by these cautionary statements, and actual results or anticipated developments by the Company may not be realized, and even if substantially realized, may not have the expected consequences to, or effects on, the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

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

	SEPTEMBER 30, 2004 (UNAUDITED)	DECEMBER 31, 2003
ASSETS		
Cash and cash equivalents	$ 20,664	$ 47,282
Restricted cash (note 7(b))	--	4,961
Accounts receivable, net of allowance for doubtful accounts of $7,902 (2003 - $7,278)	17,574	13,887
Financing receivables (note 3)	60,774	56,742
Inventories (note 4)	27,374	28,218
Prepaid expenses	3,480	1,902
Film assets	734	1,568
Fixed assets	31,357	35,818
Other assets	13,275	13,827
Deferred income taxes (note 11)	4,545	3,756
Goodwill	39,027	39,027
Other intangible assets	3,116	3,388
Total assets	$ 221,920	$ 250,376
LIABILITIES		
Accounts payable	$ 6,633	$ 5,780
Accrued liabilities (note 7(c))	53,792	43,794
Deferred revenue	50,640	63,344
New Senior Notes due 2010 (note 5)	160,000	160,000
Old Senior Notes due 2005 (note 6)	--	29,234
Total liabilities	271,065	302,152
COMMITMENTS AND CONTINGENCIES (notes 7 and 8)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Capital stock - no par value. Authorized - unlimited number. Issued and outstanding - 39,315,491 (2003 - 39,301,758)	115,653	115,609
Other equity	3,290	3,159
Deficit	(168,733)	(171,189)
Accumulated other comprehensive income	645	645
Total shareholders' deficit	(49,145)	(51,776)
Total liabilities and shareholders' equity (deficit)	$ 221,920	$ 250,376

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(in thousands of U.S. dollars, except per share amounts)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
REVENUE				
IMAX systems (note 9(a))	$ 21,309	$ 11,455	$ 57,811	$ 55,913
Films	6,076	5,275	17,166	19,570
Theater operations	3,689	3,367	11,203	10,142
Other	753	1,131	2,276	3,702
	31,827	21,228	88,456	89,327
COSTS OF GOODS AND SERVICES	17,356	11,538	47,014	49,352
GROSS MARGIN	14,471	9,690	41,442	39,975
Selling, general and administrative expenses (note 9(b))	7,587	8,265	24,541	24,864
Research and development	1,019	952	3,034	2,833
Amortization of intangibles	240	181	545	473
Income from equity-accounted investees	--	(228)	--	(501)
Receivable provisions, net of (recoveries) (note 10)	2	(425)	(965)	264
EARNINGS FROM OPERATIONS	5,623	945	14,287	12,042
Interest income	439	105	664	515
Interest expense	(4,378)	(3,606)	(12,566)	(11,949)
Loss on retirement of notes (note 6)	--	(146)	(784)	(333)
Recovery on long-term investments (note 9(c))	--	355	--	355
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,684	(2,347)	1,601	630
Recovery of (provision for) income taxes (note 11)	(84)	(163)	255	400
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,600	(2,510)	1,856	1,030
Net earnings (loss) from discontinued operations (note 15)	200	(144)	600	(292)
NET EARNINGS (LOSS)	$ 1,800	$ (2,654)	$ 2,456	$ 738
EARNINGS PER SHARE (note 12(b)):				
Earnings per share - basic and diluted:				
Net earnings (loss) from continuing operations	$ 0.04	$ (0.07)	$ 0.05	$ 0.03
Net earnings (loss) from discontinued operations	$ 0.01	$ --	$ 0.01	$ (0.01)
Net earnings (loss)	$ 0.05	$ (0.07)	$ 0.06	$ 0.02

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

IMAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(in thousands of U.S. dollars)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2004	2003
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings from continuing operations	$ 1,856	$ 1,030
Items not involving cash:		
Depreciation and amortization	10,537	8,243
Write-downs (recoveries)	(963)	260
Income from equity-accounted investees	--	(501)
Deferred income taxes	(788)	--
Loss on retirement of notes	784	333
Stock and other non-cash compensation	2,264	4,103
Non-cash foreign exchange gain	(12)	(685)
Premium on repayment of notes	(576)	--
Payment under certain employment agreements	--	(1,550)
Investment in film assets	(2,782)	(1,108)
Changes in restricted cash	4,961	(142)
Changes in other non-cash operating assets and liabilities	(10,606)	(14,111)
Net cash used in operating activities from discontinued operations	--	(573)
Net cash provided by (used in) operating activities	4,675	(4,701)
INVESTING ACTIVITIES		
Purchase of fixed assets	(693)	(1,147)
Increase in other assets	(857)	(794)
Increase in other intangible assets	(271)	(435)
Recovery on long-term investments	--	355
Net cash used in investing activities from discontinued operations	--	(11)
Net cash used in investing activities	(1,821)	(2,032)
FINANCING ACTIVITIES		
Repayment of Old Senior Notes due 2005	(29,234)	--
Repayment of Subordinated Notes	--	(9,143)
Financing costs related to New Senior Notes due 2010	(681)	--
Common shares issued	44	1,410
Net cash provided by financing activities from discontinued operations	400	599
Net cash used in financing activities	(29,471)	(7,134)
Effects of exchange rate changes on cash	(1)	184
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(27,018)	(13,698)
Increase in cash and cash equivalents from discontinued operations	400	15
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(26,618)	(13,683)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	47,282	33,801
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,664	$ 20,118

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

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)
(UNAUDITED)

1. BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of IMAX Corporation together with its wholly-owned subsidiaries (the "Company"). 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.

The Company reports its results under United States Generally Accepted Accounting Principles ("U.S. GAAP"). Significant differences between United States and Canadian Generally Accepted Accounting Principles are described in note 19.

These financial statements should be read in conjunction with the Company's most recent annual report on Form 10-K/A (amendment No. 2) for the year ended December 31, 2003 which should be consulted for a summary of the significant accounting policies utilized by the Company. These interim financial statements are prepared following accounting policies consistent with the Company's financial statements for the year ended December 31, 2003, except as described in note 2.

EMPLOYEE STOCK-BASED COMPENSATION

The Company currently follows the intrinsic value method of accounting for employee stock options as prescribed by APB 25. If the fair value methodology prescribed by FASB Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") had been adopted by the Company, pro forma results for the three and nine months ended September 30, would have been as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Net earnings (loss) as reported	$ 1,800	$ (2,654)	$ 2,456	$ 738
Stock based compensation expense, if the methodology prescribed by FAS 123 had been adopted	(1,930)	(2,323)	(5,292)	(6,904)
Adjusted net loss	$ (130)	$ (4,977)	$ (2,836)	$ (6,166)
Earnings (loss) per share - basic and diluted:				
Net earnings as reported	$ 0.05	$ (0.07)	$ 0.06	$ 0.02
FAS 123 stock based compensation expense	(0.05)	$ (0.06)	$ (0.13)	$ (0.20)
Adjusted net loss	$ --	$ (0.13)	$ (0.07)	$ (0.18)

Of the total stock based compensation expense under FAS 123 for the three and nine months ended September 30, 2004, $1,206 and $3,616, respectively relate to stock grants made in 2000 at an average exercise price of $24.25. In accordance with FAS 123, this expense represents amortization of stock option charges that were valued at the grant date using an option-pricing model with assumptions that were valid at the time with no further update of current stock trends and assumptions.

EMPLOYEE STOCK-BASED COMPENSATION (cont'd)

The weighted average fair value of common share options granted to employees for the three and nine months ended September 30, 2004 at the time of grant was $2.11 and $2.07 per share, respectively (2003 - $2.85 and $2.70 per share). For the three months ended March 31, 2003 and prior, the Company used the Black-Scholes option-pricing model to determine the fair value of common share options granted as estimated at the grant date. The following assumptions were used during the three months ended March 31, 2003: dividend yield of 0% an average risk free interest rate of 2.1%, 20% forfeiture of options vesting greater than two years; expected life of one to seven years; and expected volatility of 50%. As of April 1, 2003, the Company adopted a Binomial option-pricing model to determine the fair value of common share options at the grant date. For the three and nine months ended September 30, 2004, the following assumptions were used: dividend yield of 0%. (three and six months ended September 30, 2003 - 0%); an average risk free interest rate of 4.1% and 4.8% (three and six months ended September 30, 2003 - 4.1% and 3.0%); an equity risk premium between 5.5% and 6.3% and between 3.8% and 6.3% (three and six months ended September 30, 2003 - between 4.7% and 6.3% and between 4.7% and 10.7%); a beta between 1.04 and 1.11 and between 0.95 and 1.11 (three and six months ended September 30, 2003 - between 0.85 and 1.03); expected option life between 4.4 and 5.4 years and between 2.6 and 5.4 years (three and six months ended September 30, 2003 - between 2.6 and 4.4 years and between 2.6 and 5.1 years); an average expected volatility of 62% (three and six months ended September 30, 2003 - 62%); and an annual termination probability of between 8.1% and 9.6% (three and six months ended September 30, 2003 - 8.1% and 9.6%). Had the Company changed from using the Black-Scholes option pricing model to a Binomial option pricing model effective January 1, 2003 rather than April 1, 2003, the impact would not have been significant.

2. ACCOUNTING CHANGES

As of January 1, 2004, the Company adopted FIN 46 (revised 2003 by FIN 46R) which requires a variable interest entity ("VIE") to be consolidated by its primary beneficiary ("PB"). The PB is the party that absorbs a majority of the VIE's expected losses and/or receives a majority of the expected residual returns. The Company has evaluated its various variable interests to determine whether they are in VIE's.

The Company reviewed its management agreements relating to theaters which the Company manages, and has no equity interest, and concluded that such arrangements were not variable interests since the Company's fees are commensurate with the level of service and the theater owner retains the right to terminate the service.

The Company has also reviewed its financial arrangements with theaters where it shares in the profit or losses of the theater. The Company has not considered these arrangements under FIN 46R as the arrangements meet the scope exceptions defined in the pronouncement.

The Company has determined that one of its film production companies is a VIE with total assets of $0.1 million and total liabilities of $0.1 million as at September 30, 2004. Since the Company absorbs a majority of the VIE's losses, the Company has determined that it is the PB of the entity. The Company continues to consolidate this entity with no material impact on the operating results or financial condition of the Company.

The Company also has interests in three other film production companies which are VIE's, however the Company did not consolidate these film entities since it did not bear the majority of the expected losses or expected residual returns.

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

3. FINANCING RECEIVABLES

The Company generally provides its theater systems to customers on a long-term lease basis, typically with initial lease terms of 10 to 20 years. Financing receivables consisting of net investment in leases and long term receivables are comprised of the following:

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
NET INVESTMENT IN LEASES		
Gross minimum lease amounts receivable	$ 103,016	$ 97,408
Residual value of equipment	787	824
Unearned finance income	(41,255)	(38,847)
Present value of minimum lease amounts receivable	62,548	59,385
Accumulated allowance for uncollectible amounts	(5,116)	(5,840)
Net investment in leases	57,432	53,545
Long-term receivables	3,342	3,197
Total financing receivables	$ 60,774	$ 56,742

4. INVENTORIES

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
Raw materials	$ 6,831	$ 5,868
Work-in-process	6,695	4,327
Finished goods	13,848	18,023
	$ 27,374	$ 28,218

5. NEW SENIOR NOTES DUE 2010

As at September 30, 2004, the Company has $160.0 million aggregate principal of 9.625% senior notes due December 1, 2010 (the "New Senior Notes"). On October 6, 2004, the Company commenced an offer to exchange up to US$160,000,000 aggregate principal amount of its outstanding New Senior Notes for a like principal amount of its 9.625% Senior Notes due 2010 (the "Registered Notes"). The Company's registration statement on Form S-4 relating to the Registered Notes was declared effective by the Securities and Exchange Commission on September 30, 2004. The Registered Notes are unconditionally guaranteed, jointly and severally, by certain of the Company's wholly-owned subsidiaries. The terms of the Registered Notes are substantially identical to the terms of the New Senior Notes, and evidence the same indebtedness as the New Senior Notes, except that the Registered Notes are registered under U.S. securities laws, do not contain restrictions on transfer or provisions relating to special interest under circumstances related to the timing of the exchange offer, bear a different CUSIP number from the New Senior Notes and do not entitle their holders to registration rights.

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

6. OLD SENIOR NOTES DUE 2005

In December 2003, the Company completed a tender offer and consent solicitation for the remaining $152.8 million of principal of senior notes due December 1, 2005 bearing interest at a rate of 7.875% per annum (the "Old Senior Notes") that were not retired previously. In December 2003, $123.6 million in principal of the Old Senior Notes were redeemed pursuant to a tender offer. Notice of Redemption for all remaining outstanding Old Senior Notes was delivered on December 4, 2003 and the remaining $29.2 of outstanding Old Senior Notes were redeemed on January 2, 2004 using proceeds from its New Senior Notes (see note 5).

In January 2004, the Company recorded a loss of $0.8 million related to the retirement of the Company's Old Senior Notes. During the first nine months of 2003, the Company recorded a loss of $0.3 million from the retirement of $31.5 million of the Company's Old Senior Notes.

7. COMMITMENTS

(a) The Company's total minimum annual rental payments to be made under operating leases for premises as of September 30, 2004 for each of the years ended December 31 are as follows:

2004 (three months remaining)	$ 1,385
2005	5,956
2006	5,765
2007	5,551
2008	5,334
Thereafter	37,171
	$ 61,162

(b) As at September 30, 2004, the Company has letters of credit of $5.2 million outstanding under the Company's credit facility arrangement (see note 17). As at December 31, 2003, the Company had letters of credit of $5.0 million outstanding, which had been collateralized by cash deposits.

(c) In March 2004, the Company received $5.0 million in cash under a film financing arrangement which is included in accrued liabilities. The Company is required to expend these funds towards the production of a motion picture title. The Company has expended $0.3 million of these funds as at September 30, 2004.

8. CONTINGENCIES

(a) In March 2001, a complaint was filed against the Company by Muvico Entertainment, L.L.C. ("Muvico"), alleging misrepresentation and seeking rescission in respect of the system lease agreements between the Company and Muvico. The complaint was subsequently amended to add claims for fraud based upon the same factual allegations underlying its prior claims. The Company filed counterclaims against Muvico for breach of contract, unjust enrichment, unfair competition and/or deceptive trade practices and theft of trade secrets, and brought claims against MegaSystems, Inc. ("MegaSystems"), a large-format theater system manufacturer, for tortious interference and unfair competition and/or deceptive trade practices and to enjoin Muvico and MegaSystems from using the Company's confidential and proprietary information. The case is being heard in the U.S. District Court, Southern District of Florida, Miami Division. On September 27, 2004, the Court granted the Company's motion for summary judgment, awarding the Company judgment as a matter of law on all of the substantive claims asserted by Muvico in the complaint. The Company is awaiting final decision from the Court with regard to its damages claims.

8. CONTINGENCIES (cont'd)

(b) In May 2003, the Company filed a Statement of Claim in the Ontario Superior Court of Justice against United Cinemas International Multiplex B.V. ("UCI") for specific performance, or alternatively, damages of $25.0 million with respect to the breach of a 1999 agreement between the Company and UCI whereby UCI committed to purchase IMAX theater systems from the Company. In August 2003, UCI filed a Statement of Defence denying it is in breach. On December 10, 2003, UCI and its two subsidiaries in the United Kingdom and Japan filed a claim against the Company claiming alleged breaches of the 1999 agreement referred to in the Company's claim against UCI, and repeating allegations contained in UCI's Statement of Defence to the Company's action. The Company believes that the allegations made by UCI in its complaint are entirely without merit and will accordingly defend the claims vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would 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 any such litigation.

(c) In November 2001, the Company filed a complaint with the District Court of Munich against Big Screen, a German large-screen cinema owner in Berlin ("Big Screen"), demanding payment of rental payments and certain other amounts owed to the Company. Big Screen has raised a defense based on alleged infringement of German antitrust rules, relating mainly to an allegation of excessive pricing. Big Screen had brought a number of motions for restraining orders in this matter relating to the Company's provision of films and maintenance, all of which have been rejected by the courts, including the Berlin Court of Appeals, and for which all appeals have been exhausted. The Company believes that all of the allegations in Big Screen's individual defense are entirely without merit and will accordingly continue to prosecute this matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would 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 any such litigation.

(d) In May, 2002, the Company filed a complaint with the District Court of Nuremberg-Furth, Germany against Siewert Holding in Wuerzburg ("Siewert"), demanding payment of rental obligations and other amounts owed to the Company. Siewert raised a defense based on alleged infringement of German antitrust rules. By judgement of December 20, 2002, the District Court rejected the defense and awarded judgement in documentary proceedings in favor of the Company and added further amounts that had fallen due. Siewert applied for leave to appeal to the German Supreme Court on matters of law, which was rejected by the German Supreme Court in March 2004. Siewert subsequently made a partial payment of amounts awarded to the Company. Siewert has filed follow up proceedings to the documentary proceedings in the District Court, in large part repeating the claims rejected in the documentary proceeding. On September 30, 2004, Siewert filed for insolvency with the Local Court in Wuerzburg. To the extent the lawsuit will be continued following the commencement of the insolvency proceedings, the Company will continue to vigorously pursue its claims and believes that the amount of loss, if any, suffered in connection with these proceedings would 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 any such litigation.

8. CONTINGENCIES (cont'd)

(e) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages of approximately $3.7 million before the International Court of Arbitration of the International Chambers of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In April 2004, EML filed an answer and counterclaim seeking the return of funds EML has paid to the Company, incidental expenses and punitive damages. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-CITI Entertainment (I) PVT Limited ("E-Citi"), seeking $17,777,950 as a result of E-Citi's breach of a September 2000 lease agreement. E-Citi has responded to the arbitration demand and has asserted several defenses, including that the ICC does not have jurisdiction for the arbitration. The Company believes that the allegations made by EML in its counterclaim are entirely without merit and has requested that the counterclaim be dismissed on the basis that EML has recently advised the ICC that it has insufficient funds to pay its share of the arbitration costs. The Company believes that the amount of loss, if any, suffered in connection with the arbitration would 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 any such litigation.

(f) In addition to the matters described above, the Company is currently involved in other legal proceedings 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 of any such proceedings.

9. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS SUPPLEMENTAL INFORMATION

(a) In the normal course of its business, the Company each year will have customers who, for a number of reasons including the inability to obtain certain consents, approvals or financing, are unable to proceed with theater construction. Once the determination is made that the customer will not proceed with installation, the lease agreement with the customer is generally terminated by the Company. Upon the customer and the Company being released from their future obligations under the agreement, the initial lease payments that the customer previously made to the Company are recognized as revenue. Included in systems revenue for the three and nine months ended September 30, 2004 are $2.9 million and $9.5 million, respectively (2003 - $3.4 million, $7.6 million) for amounts recognized under terminated lease agreements.

(b) Included in selling, general and administrative expenses for the three and nine months ended September 30, 2004 are $0.3 million gain and $0.1 million loss, respectively (2003 - $0.2 million gain, $1.2 million gain) for net foreign exchange related to the translation of foreign currency denominated monetary assets, liabilities and integrated subsidiaries.

(c) In August 2003, the Company agreed to restructure its 6% Senior Secured Convertible Debenture (the "Debenture") due from Mainframe Entertainment, Inc. ("Mainframe"). Under the terms of the restructuring agreement, the payment terms of the Debenture were revised, while the Company retained its security over all of Mainframe's property and assets for the balance of the payments due. The Company recorded $0.4 million in income for the three and nine month periods ended September 30, 2003 related to cash received under the debt restructuring agreement.

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

10. RECEIVABLE PROVISIONS (RECOVERIES), NET

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Accounts receivable provisions (recoveries), net	$ 2	$ 93	$ (240)	$ 515
Financing receivables provisions (recoveries), net(1)	$ --	$ (518)	$ (725)	$ (251)
Receivable provisions (recoveries), net	$ 2	$ (425)	$ (965)	$ 264

(1) For the three and nine months ended September 30, 2004, the Company recorded a recovery of previously provided amounts of $nil and $0.7 million, respectively (2003 - $0.5 million, $0.3 million) as the collectibility uncertainty associated with certain leases was resolved by amendment or settlement of the leases.

11. INCOME TAXES

The effective tax rate on earnings differs significantly from the Canadian statutory rate due to the effect of permanent differences, income taxed at differing rates in foreign and other provincial jurisdictions, tax recoveries and charges relating to favourable or unfavourable tax examinations, and changes in the Company's valuation allowance on deferred tax assets. The income tax (expense) recovery for the quarter is calculated by applying the estimated average annual effective tax rate to quarterly pre-tax income. The Company recorded within the tax provision in the current quarter a tax recovery of $0.4 million related to refunds resulting from favourable conclusions to two separate tax examinations and the utilization of previously recorded income tax credits.

As at September 30, 2004, the Company has recognized net deferred income tax assets of $4.5 million, comprised of tax credit carryforwards, net operating loss and capital loss carryforwards and other deductible temporary differences, which can be utilized to reduce either taxable income or taxes otherwise payable in future years. As of September 30, 2004, the Company had a gross deferred income tax asset of $50.6 million, against which the Company is carrying a $46.1 million valuation allowance.

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

12. CAPITAL STOCK

(a) STOCK BASED COMPENSATION

In the three and nine months ended September 30, 2004, an aggregate of 13,335 and 40,005 options (2003 - 13,335 and 125,059) with an average exercise price of $5.27 and $5.96 (2003 - $8.20 and $6.22) to purchase the Company's common stock were issued to certain advisors and strategic partners of the Company, respectively. The Company has calculated the fair value of these options on the date of grant for the three and nine months ended September 30, 2004 to be $0.04 million and $0.1 million (2003 - $0.1 million and $0.4 million), respectively, using a Binomial option-pricing model with the following underlying assumptions: dividend yield of 0%; an average risk free interest rate of 3.49% and 3.37% (2003 - 3.09% and 2.45%), expected option life of 5 years; and an average expected volatility of 62.0%.

The Company has recorded a charge of $0.04 million and $0.1 million to costs of goods and services related to the non-employee stock options granted in the three and nine months ended September 30, 2004 (2003 - $0.1 million, $0.4 million).

There were no warrants issued in the three and nine months ended September 30, 2004 (2003 - nil and 550,000). 450,000 warrants remain outstanding of the 550,000 warrants issued in 2003, which vest when certain film related milestones are met, and have an exercise price of $6.06. The warrants generally expire 5 years after the date of grant or vesting. At September 30, 2004, 200,000 warrants were vested and exercisable. The Company believes that no additional warrants will ultimately vest.

(b) EARNINGS (LOSS) PER SHARE

Reconciliations of the numerators and denominators of the basic and diluted per-share computations, are comprised of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Net earnings applicable to common shareholders:				
Net earnings (loss)	$ 1,800	$ (2,654)	$ 2,456	$ 738
Weighted average number of common shares (000's):				
Issued and outstanding, beginning of period	39,316	36,426	39,302	32,973
Weighted average number of shares issued during the period	--	665	8	1,619
Weighted average number of shares used in computing basic earnings per share	39,316	37,091	39,310	34,592
Assumed exercise of stock options, net of shares assumed repurchased	576	--	401	532
Weighted average number of shares used in computing diluted earnings per share	39,892	37,091	39,711	35,124

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

13. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS SUPPLEMENTAL INFORMATION

	THREE MONTHS ENDED SEPTEMBER 30, 2004	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2003
Interest paid	$ 65	$ 174	$ 7,961	$ 8,438
Income taxes paid	$ 352	$ 313	$ 1,280	$ 2,089

14. SEGMENTED INFORMATION

The Company has four reportable segments: IMAX systems, films, theater operations and other.

There has been no change in the basis of measurement of segment profit or loss from the Company's most recent annual report on form 10-K/A for the year ended December 31, 2003. Inter-segment transactions are not significant.

	THREE MONTHS ENDED SEPTEMBER 30, 2004	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2004	NINE MONTHS ENDED SEPTEMBER 30, 2003
REVENUE				
IMAX systems	$ 21,309	$ 11,455	$ 57,811	$ 55,913
Films	6,076	5,275	17,166	19,570
Theater operations	3,689	3,367	11,203	10,142
Other	753	1,131	2,276	3,702
TOTAL	$ 31,827	$ 21,228	$ 88,456	$ 89,327
EARNINGS FROM OPERATIONS				
IMAX systems	$ 11,725	$ 6,008	$ 33,271	$ 26,824
Films	(1,653)	(283)	(4,060)	506
Theater operations	(8)	(466)	886	(1,346)
Other	(58)	635	(670)	1,687
Corporate overhead	(4,383)	(4,949)	(15,140)	(15,629)
TOTAL	$ 5,623	$ 945	$ 14,287	$ 12,042

15. DISCONTINUED OPERATIONS

(a) MIAMI THEATER LLC

On December 23, 2003, the Company closed its owned and operated Miami IMAX theater. The Company completed its abandonment of assets and removal of its projection system from the theater in the first quarter of 2004, with no financial impact. The Company is involved in an arbitration proceeding with the landlord of the theater with respect to the amount owing to the landlord by the Company for lease and guarantee obligations. The amount of loss to the Company has been estimated at between $0.8 million and $2.3 million, of which the Company had accrued $0.8 million as at December 31, 2003. During 2004, the Company paid out $0.8 million with respect to amounts owing to the landlord. As the Company is uncertain as to the outcome of the proceeding, no additional amount has been recorded.

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

15. DISCONTINUED OPERATIONS (cont'd)

(b) DIGITAL PROJECTION INTERNATIONAL

Effective December 11, 2001, the Company completed the sale of its wholly-owned subsidiary, Digital Projection International, including its subsidiaries (collectively "DPI"), to a company owned by members of DPI management.

As part of the transaction, the Company restructured its advances to DPI, releasing DPI from obligations to repay any amounts in excess of $12.7 million previously advanced by the Company, and reorganized the remaining $12.7 million of debt owing to the Company into two separate loan agreements. During the three and nine months ended September 30, 2004, the Company recognized $0.2 million and $0.6 million in income from discontinued operations for cash ultimately received (2003 - $0.2 million, $0.6 million). As of September 30, 2004, the remaining loan receivable balance is $11.3 million, which has been fully provided for.

(c) CONSOLIDATED STATEMENT OF OPERATIONS FOR MIAMI THEATER AND DPI

The net earnings (loss) from discontinued operations summarized in the Consolidated Statements of Operations, for the periods ended September 30, was comprised of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Net earnings (loss) from discontinued operations	$ 200	$ (144)	$ 600	$ (292)

16. DEFINED BENEFIT PLAN

The Company has a defined benefit pension plan covering its two Co-Chief Executive Officers. The plan provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings during the 120 months proceeding retirement. Once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. The benefits were 50% vested as at July 12, 2000, the plan initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement shall be 100%. Also, upon the occurrence of a change in control of the Company prior to termination of a member's employment, the vesting percentage shall become 100%. As the plan is unfunded, the Company had not paid any contributions in the period ended September 30, 2004 and does not expect to pay any contributions in the remainder of the year. The following table provides disclosure of pension expense for the defined benefit plan for the periods ended September 30:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Service cost	$ 516	$ 489	$ 1,548	$ 1,467
Interest cost	317	272	951	816
Amortization of prior service cost	349	349	1,047	1,048
Pension expense	$ 1,182	$ 1,110	$ 3,546	$ 3,331

17. CREDIT FACILITY

On February 6, 2004, the Company entered into a loan agreement for a secured revolving credit facility with Congress Financial Corporation (Canada) (the "Credit Facility") The Credit Facility is a three-year revolving credit facility with yearly renewal options thereafter, permitting maximum aggregate borrowings of $20.0 million, subject to a borrowing base calculation which includes the Company's financing receivables, and certain reserve requirements. The Credit Facility bears interest at Prime + 0.25% per annum or Libor + 2.0% per annum and is collateralized by a first priority security interest in all of the current and future assets of the Company. The Credit Facility contains typical affirmative and negative covenants, including covenants that restrict the Company's ability to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions or dissolve. In addition, the Credit Facility contains customary events of default, including upon an acquisition or a change of control that has a material adverse effect on the Company's financial condition. The Credit Facility also requires the Company to maintain a minimum level of earnings before interest, taxes, depreciation and amortization, and cash collections. As at September 30, 2004, the Company has not drawn down on the Credit Facility, however, it has issued letters of credit for $5.2 million under the Credit Facility arrangement.

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION

The Company's New Senior Notes and Registered Notes are unconditionally guaranteed, jointly and severally by specific wholly-owned subsidiaries of the Company (the "Guarantor Subsidiaries"). The main Guarantor Subsidiaries are David Keighley Productions 70 MM Inc., Sonics Associates Inc., and the subsidiaries that own and operate certain theaters. These guarantees are full and unconditional. The information under the column headed "Non-Guarantor Subsidiaries" relates to the following subsidiaries of the Company: IMAX Japan Inc., IMAX B.V., and IMAX Entertainment Pte. Inc., (the "Non-Guarantor Subsidiaries") which have not provided any guarantees of the New Senior Notes nor the Registered Notes.

Investments in subsidiaries are accounted for by the equity method for purposes of the supplemental consolidating financial data. Some subsidiaries may be unable to pay dividends due to negative working capital.

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Balance Sheets as at September 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
ASSETS					
Cash and cash equivalents	$ 16,181	$ 4,412	$ 71	$ --	$ 20,664
Restricted cash	--	--	--	--	--
Accounts receivable	13,570	3,610	394	--	17,574
Financing receivables	59,385	1,389	--	--	60,774
Inventories	27,065	242	67	--	27,374
Prepaid expenses	3,168	183	129	--	3,480
Intercompany receivables	12,426	28,970	11,355	(52,751)	--
Film assets	714	20	--	--	734
Fixed assets	29,770	1,585	2	--	31,357
Other assets	13,275	--	--	--	13,275
Deferred income taxes	4,482	63	--	--	4,545
Goodwill	39,027	--	--	--	39,027
Other intangible assets	3,116	--	--	--	3,116
Investments in subsidiaries	30,392	--	--	(30,392)	--
Total assets	$ 252,571	$ 40,474	$ 12,018	$ (83,143)	$ 221,920
LIABILITIES					
Accounts payable	2,769	3,864	--	--	6,633
Accrued liabilities	52,188	1,432	172	--	53,792
Intercompany payables	42,062	33,952	6,935	(82,949)	--
Deferred revenue	45,615	4,867	158	--	50,640
New Senior Notes due 2010	160,000	--	--	--	160,000
Total liabilities	302,634	44,115	7,265	(82,949)	271,065
SHAREHOLDER'S DEFICIT					
Common stock	115,653	--	117	(117)	115,653
Other equity/Additional paid in capital/Contributed surplus	2,256	46,960	--	(45,926)	3,290
Deficit	(169,231)	(49,987)	4,636	45,849	(168,733)
Accumulated other comprehensive income (loss)	1,259	(614)	--	--	645
Total shareholders' equity (deficit)	$ (50,063)	$ (3,641)	$ 4,753	$ (194)	$ (49,145)
Total liabilities & shareholders' equity (deficit)	$ 252,571	$ 40,474	$ 12,018	$ (83,143)	$ 221,920

In certain Guarantor Subsidiaries, accumulated losses have exceeded the original investment balance. As a result of applying equity accounting, the parent company has consequently reduced intercompany receivable balances with respect to these Guarantor Subsidiaries in the amounts of $30.3 million as at September 30, 2004.

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Balance Sheets as at December 31, 2003:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
ASSETS					
Cash and cash equivalents	$ 41,311	$ 5,696	$ 275	$ --	$ 47,282
Restricted cash	4,961	--	--	--	4,961
Accounts receivable	9,924	3,468	495	--	13,887
Financing receivables	55,294	1,407	41	--	56,742
Inventories	29,775	620	69	(2,246)	28,218
Prepaid expenses	1,098	523	281	--	1,902
Inter-company receivables	21,203	21,745	15,184	(58,132)	--
Film assets	361	1,207	--	--	1,568
Fixed assets	33,897	1,918	3	--	35,818
Other assets	13,827	--	--	--	13,827
Deferred income taxes	3,705	51	--	--	3,756
Goodwill	39,027	--	--	--	39,027
Other intangible assets	3,388	--	--	--	3,388
Investments in subsidiaries	26,196	--	--	(26,196)	--
Total assets	$ 283,967	$ 36,635	$ 16,348	$ (86,574)	$ 250,376
LIABILITIES					
Accounts payable	3,605	2,175	--	--	$ 5,780
Accrued liabilities	41,618	1,803	373	--	43,794
Inter-company payables	43,885	31,640	11,065	(86,590)	--
Deferred revenue	58,319	4,889	136	--	63,344
New Senior Notes due 2010	160,000	--	--	--	160,000
Old Senior Notes due 2005	29,234	--	--	--	29,234
Total liabilities	336,661	40,507	11,574	(86,590)	302,152
SHAREHOLDER'S DEFICIT					
Common stock	115,609	--	117	(117)	115,609
Other equity/Additional paid in capital/Contributed surplus	2,125	46,960	--	(45,926)	3,159
Deficit	(171,687)	(50,218)	4,657	46,059	(171,189)
Accumulated other comprehensive income (loss)	1,259	(614)	--	--	645
Total shareholders' (deficit)	$ (52,694)	$ (3,872)	$ 4,774	$ 16	(51,776)
Total liabilities & shareholders' equity (deficit)	$ 283,967	$ 36,635	$ 16,348	$ (86,574)	$ 250,376

In certain Guarantor Subsidiaries, accumulated losses have exceeded the original investment balance. As a result of applying equity accounting, the parent company has consequently reduced inter-company receivable balances with respect to these Guarantor Subsidiaries in the amounts of $26.5 million as at December 31, 2003.

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)
(UNAUDITED)

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Operations for the three months ended September 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$ 21,001	$ 168	$ 222	$ (82)	$ 21,309
Films	5,159	1,399	3	(485)	6,076
Theater operations	136	3,578	--	(25)	3,689
Other	753	--	--	--	753
	27,049	5,145	225	(592)	31,827
COST OF GOODS AND SERVICES	13,089	4,710	149	(592)	17,356
GROSS MARGIN	13,960	435	76	--	14,471
Selling, general and administrative expenses	7,219	221	147	--	7,587
Research and development	1,019	--	--	--	1,019
Amortization of intangibles	240	--	--	--	240
Loss (income) from equity-accounted investees	(68)	--	--	68	--
Receivable provisions (recoveries), net	2	--	--	--	2
EARNINGS (LOSS) FROM OPERATIONS	5,548	214	(71)	(68)	5,623
Interest income	439	--	--	--	439
Interest expense	(4,372)	(6)	--	--	(4,378)
Loss on retirement of notes	--	--	--	--	--
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,615	208	(71)	(68)	1,684
Provision for income taxes	(17)	--	(67)	--	(84)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,598	208	(138)	(68)	1,600
Net earnings from discontinued operations	200	--	--	--	200
NET EARNINGS (LOSS)	$ 1,798	$ 208	$ (138)	$ (68)	$ 1,800

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Operations for the three months ended September 30, 2003:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$ 11,118	$ 221	$ 328	$ (212)	$ 11,455
Films	3,245	2,799	28	(797)	5,275
Theater Operations	380	3,025	--	(38)	3,367
Other	1,124	--	7	--	1,131
	15,867	6,045	363	(1,047)	21,228
COST OF GOODS AND SERVICES	7,051	6,713	120	(2,346)	11,538
GROSS MARGIN	8,816	(668)	243	1,299	9,690
Selling, general and administrative expenses	8,199	129	(63)	--	8,265
Research and development	952	--	--	--	952
Amortization of intangibles	181	--	--	--	181
Loss (income) from equity-accounted investees	670	82	--	(980)	(228)
Receivable provisions (recoveries), net	(426)	1		--	(425)
EARNINGS (LOSS) FROM OPERATIONS	(760)	(880)	306	2,279	945
Interest income	105	--	--	--	105
Interest expense	(3,592)	(14)	--	--	(3,606)
Loss on retirement of notes	(146)	--	--	--	(146)
Recovery on long-term investments	355	--	--	--	355
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,038)	(894)	306	2,279	(2,347)
Recovery of (provision for) income taxes	(125)	15	(53)	--	(163)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(4,163)	(879)	253	2,279	(2,510)
Net earnings from discontinued operations	200	(344)	--	--	(144)
NET EARNINGS (LOSS)	$ (3,963)	$ (1,223)	$ 253	$ 2,279	$ (2,654)

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)
(UNAUDITED)

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Operations for the nine months ended September 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$ 56,408	$ 793	$ 881	$ (271)	$ 57,811
Films	15,209	4,183	18	(2,244)	17,166
Theater operations	456	10,823	--	(76)	11,203
Other	2,275	--	1	--	2,276
	74,348	15,799	900	(2,591)	88,456
COST OF GOODS AND SERVICES	34,144	15,087	374	(2,591)	47,014
GROSS MARGIN	40,204	712	526	--	41,442
Selling, general and administrative expenses	23,554	537	450	--	25,541
Research and development	3,034	--	--	--	3,034
Amortization of intangibles	545	--	--	--	545
Loss (income) from equity-accounted investees	(210)	--	--	210	--
Receivable provisions (recoveries), net	(889)	(76)	--	--	(965)
EARNINGS (LOSS) FROM OPERATIONS	14,170	251	76	(210)	14,287
Interest income	664	--	--	--	664
Interest expense	(12,516)	(20)	(30)	--	(12,566)
Loss on retirement of notes	(784)	--	--	--	(784)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,534	231	46	(210)	1,601
Recovery of (provision for) income taxes	322	--	(67)	--	255
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,856	231	(21)	(210)	1,856
Net earnings from discontinued operations	600	--	--	--	600
NET EARNINGS (LOSS)	$ 2,456	$ 231	$ (21)	$ (210)	$ 2,456

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Operations for the nine months ended September 30, 2003:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$ 54,693	$ 2,259	$ 1,061	$ (2,100)	$ 55,913
Films	10,741	11,011	48	(2,230)	19,570
Theater Operations	575	9,677	--	(110)	10,142
Other	3,642	--	125	(65)	3,702
	69,651	22,947	1,234	(4,505)	89,327
COST OF GOODS AND SERVICES	31,437	23,231	496	(5,812)	49,352
GROSS MARGIN	38,214	(284)	738	1,307	39,975
Selling, general and administrative expenses	24,125	530	209	--	24,864
Research and development	2,833	--	--	--	2,833
Amortization of intangibles	473	--	--	--	473
Loss (income) from equity-accounted investees	(539)	101	--	(63)	(501)
Receivable provisions (recoveries), net	486	(178)	(44)	--	264
EARNINGS (LOSS) FROM OPERATIONS	10,836	(737)	573	1,370	12,042
Interest income	515	--	--	--	515
Interest expense	(11,919)	(30)	--	--	(11,949)
Loss on retirement of notes	(333)	--	--	--	(333)
Recovery of long-term investments	355	--	--	--	355
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(546)	(767)	573	1,370	630
Recovery of (provision for) income taxes	(632)	1,077	(45)	--	400
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(1,178)	310	528	1,370	1,030
Net earnings (loss) from discontinued operations	599	(891)	--	--	(292)
NET EARNINGS (LOSS)	$ (579)	$ (581)	$ 528	$ 1,370	$ 738

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Cash Flows for the nine months ended September 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) from continuing operations	$ 1,856	$ 231	$ (21)	$ (210)	$ 1,856
Items not involving cash:					
Depreciation and amortization	10,133	403	1	--	10,537
Write-downs (recoveries)	(887)	(76)	--	--	(963)
Loss (income) from equity-accounted investees	(210)	--	--	210	--
Deferred income taxes	(776)	(12)	--	--	(788)
Loss on retirement of notes	784	--	--	--	784
Stock and other non-cash compensation	2,264	--	--	--	2,264
Non-cash foreign exchange gain	(12)	--	--	--	(12)
Premium on repayment of notes	(576)	--	--	--	(576)
Investment in film assets	(3,969)	1,187	--	--	(2,782)
Changes in restricted cash	4,961	--	--	--	4,961
Changes in other non-cash operating assets and liabilities	(7,497)	(2,931)	(178)	--	(10,606)
Net cash provided by (used in) operating activities	6,071	(1,198)	(198)	--	4,675
INVESTING ACTIVITIES					
Purchase of fixed assets	(623)	(70)	--	--	(693)
Increase in other assets	(857)	--	--	--	(857)
Increase in other intangible assets	(271)	--	--	--	(271)
Net cash used in investing activities	(1,751)	(70)	--	--	(1,821)
FINANCING ACTIVITIES					
Repayment of Old Senior Notes due 2005	(29,234)	--	--	--	(29,234)
Financing costs related to New Senior Notes due 2010	(681)	--	--	--	(681)
Common shares issued	44	--	--	--	44
Net cash provided by financing activities from discontinued operations	400	--	--	--	400
Net cash used in financing activities	(29,471)	--	--	--	(29,471)
Effects of exchange rate changes on cash	21	(16)	(6)	--	(1)
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(25,530)	(1,284)	(204)	--	(27,018)
Increase in cash and cash equivalents from discontinued operations	400	--	--	--	400
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(25,130)	(1,284)	(204)	--	(26,618)
Cash and cash equivalents, beginning of period	41,311	5,696	275	--	47,282
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,181	$ 4,412	$ 71	$ --	$ 20,664

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

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION (cont'd)

Supplemental Consolidating Statements of Cash Flows for the nine months ended September 30, 2003:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) from continuing operations	$ (1,178)	$ 310	$ 528	$ 1,370	$ 1,030
Items not involving cash:					
Depreciation and amortization	7,549	691	3	--	8,243
Write-downs (recoveries)	348	(44)	(44)	--	260
Loss (income) from equity-accounted investees	(539)	101	--	(63)	(501)
Loss on retirement of notes	333	--	--	--	333
Stock and other non-cash compensation	4,103	--	--	--	4,103
Non-cash foreign exchange gain	(685)	--	--		(685)
Payment under certain employment agreements	(1,550)	--	--	--	(1,550)
Investment in film assets	(840)	(268)	--	--	(1,108)
Changes in restricted cash	(142)	--	--	--	(142)
Changes in other non-cash operating assets and liabilities	(10,140)	(2,159)	(568)	(1,244)	(14,111)
Net cash used in operating activities from discontinued operations	(503)	(70)	--	--	(573)
Net cash provided by (used in) operating activities	(3,244)	(1,439)	(81)	63	(4,701)
INVESTING ACTIVITIES					
Purchase of fixed assets	(453)	(631)	--	(63)	(1,147)
Increase in other assets	(794)	--	--	--	(794)
Increase in other intangible assets	(435)	--	--	--	(435)
Recovery on long-term investments	355	--	--	--	355
Net cash used in investing activities from discontinued operations	--	(11)	--	--	(11)
Net cash used in investing activities	(1,327)	(642)	--	(63)	(2,032)
FINANCING ACTIVITIES					
Repayment of Subordinated Notes	(9,143)	--	--	--	(9,143)
Common shares issued	1,410	--	--	--	1,410
Net cash used in financing activities from discontinued operations	599	--	--	--	599
Net cash used in financing activities	(7,134)	--	--	--	(7,134)
Effects of exchange rate changes on cash	163	4	17	--	184
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(11,638)	(1,996)	(64)	--	(13,698)
Increase (decrease) in cash and cash equivalents from discontinued operations	96	(81)	--	--	15
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(11,542)	(2,077)	(64)	--	(13,683)
Cash and cash equivalents, beginning of period	27,756	5,695	350	--	33,801
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,214	$ 3,618	$ 286	$ --	$ 20,118

19. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN THE UNITED STATES AND CANADA

The accounting principles followed by the Company conform with U.S. GAAP. Significant differences affecting the Company between U.S. GAAP and Canadian Generally Accepted Accounting Principles ("Canadian GAAP") are described below.

(a) EQUITY ACCOUNTED INVESTEES

Canadian GAAP requires the accounts of jointly controlled enterprises to be proportionately consolidated. Under U.S. GAAP, investments in jointly controlled entities are accounted as equity investments. During the three and nine month periods ended September 30, 2004, the Company did not have any investments in jointly controlled entities.

(b) FIXED ASSET IMPAIRMENTS

Fixed asset impairments under U.S. GAAP are calculated based on a discounted future cash flow basis. Under Canadian GAAP, prior to January 1, 2002, impairments were calculated based on an undiscounted future cash flow basis. Any differences resulted in higher depreciation for the remaining useful life of the assets.

(c) STOCK-BASED COMPENSATION

Under U.S GAAP, the Company accounts for stock-based compensation under the intrinsic value method set out in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations, and has made pro forma disclosures of net earnings (loss) and earnings (loss) per share as if the methodology prescribed by FAS 123, had been adopted. Under Canadian GAAP, the Company adopted the fair value provisions of CICA Section 3870, "Stock-based Compensation and Other Stock-based Payments" effective January 1, 2003. As of this date, stock options granted to employees or directors are recorded as an expense in the consolidated statement of operations and credited to other equity.

(d) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three and nine month periods ended September 30, 2003, the U.S. GAAP financial statements included an additional $nil and $0.5 million in selling, general and administrative expenses which were recorded in the December 31, 2002 Canadian GAAP financial statements due to the timing of finalization of certain compensation awards.

(e) INTEREST ON CONVERTIBLE SUBORDINATED NOTES

Convertible subordinated notes are carried at face value as a liability under U.S. GAAP. Under Canadian GAAP, the carrying value of the convertible subordinated notes is allocated between debt and equity elements and classified separately in the balance sheet. The debt element was calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability that does not have an associated conversion feature. The accretion of the liability component of the notes is recorded as interest expense in the statement of operations. The debt associated with this interest was settled in April 2003.

(f) PENSION ASSET AND LIABILITIES

Under U.S. GAAP, included in accrued liabilities, is a minimum pension liability of $4.5 million as at September 30, 2004 and $5.5 million as at December 31, 2003, representing unrecognized prior service costs. There is an equal amount recorded in other assets. Under Canadian GAAP, a minimum pension liability and corresponding asset are not recorded.

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

19. SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN THE UNITED STATES AND CANADA (cont'd)

RECONCILIATION TO CANADIAN GAAP

CONSOLIDATED STATEMENTS OF OPERATIONS

The following is a reconciliation of net earnings (loss) reflecting the differences between U.S. and Canadian GAAP:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Net earnings (loss) in accordance with U.S. GAAP	$ 1,800	$(2,654)	$ 2,456	$ 738
Equity accounted investees(a)	--	(499)	--	(1,246)
Depreciation of Fixed assets(b)	(40)	(40)	(122)	(122)
Stock-based compensation(c)	(742)	(102)	(920)	(241)
Timing differences - Selling, general and administrative expenses(d)	--	--	--	500
Interest accretion on Subordinated Notes(e)	--	--	--	(48)
Net earnings (loss) in accordance with Canadian GAAP	$ 1,018	$(3,295)	$ 1,414	$ (419)
Earnings (loss) per share (note 12):				
Earnings (loss) per share - basic and diluted:				
Net earnings (loss) from continuing operations	$ 0.02	$ (0.09)	$ 0.02	$ --
Net earnings (loss) from discontinued operations	$ 0.01	$ --	$ 0.02	$ (0.01)
Net earnings (loss)	$ 0.03	$ (0.09)	$ 0.04	$ (0.01)

CONSOLIDATED SHAREHOLDERS' EQUITY (DEFICIT)

The following is a reconciliation of shareholders' equity (deficit) reflecting the difference between Canadian and U.S. GAAP:

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
Shareholders' equity (deficit) in accordance with U.S. GAAP	$(49,145)	$(51,776)
Fixed asset impairments(b)	730	852
Shareholders' equity (deficit) in accordance with Canadian GAAP	$(48,415)	$(50,924)

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

19. SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN THE UNITED STATES AND CANADA (cont'd)

CONSOLIDATED BALANCE SHEET

The following is the Canadian GAAP Consolidated Balance Sheet as at December 31, 2003:

	AS AT DECEMBER 31, 2003
ASSETS	
Cash and cash equivalents	$ 47,282
Restricted cash	4,961
Accounts receivable	13,887
Financing receivable	56,742
Inventories	28,218
Prepaid expenses	1,902
Film assets	1,568
Property, plant and equipment	36,670
Other assets	8,297
Future income taxes	3,756
Goodwill	39,027
Other intangible assets	3,388
Total assets	$ 245,698
LIABILITIES	
Accounts payable	$ 5,780
Accrued liabilities	38,264
Deferred revenue	63,344
New Senior Notes due 2010	160,000
Old Senior Notes due 2005	29,234
Total liabilities	296,622
SHAREHOLDERS' EQUITY (DEFICIT)	
Capital stock Common shares. Authorized - unlimited number Issued and outstanding - 39,301,758	114,153
Other equity	3,536
Contributed surplus	11,857
Deficit	(182,297)
Cumulative foreign currency translation adjustments	1,827
Total shareholders' equity (deficit)	(50,924)
Total liabilities and shareholders' equity (deficit)	$ 245,698

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

19. SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN THE UNITED STATES AND CANADA (cont'd)

CONSOLIDATED STATEMENT OF OPERATIONS

The following are the Canadian GAAP Consolidated Statements of Operations for the three and nine months ended September 30, 2003:

	THREE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2003
REVENUE		
IMAX systems	$ 11,454	$ 55,913
Films	5,276	19,570
Theater operations	3,367	10,142
Other	1,955	6,135
	22,052	91,760
COSTS OF GOODS AND SERVICES	12,589	52,389
GROSS MARGIN	9,463	39,371
Selling, general and administrative expenses	8,366	24,605
Research and development	952	2,833
Amortization of intangibles	182	473
Receivable provisions, net of (recoveries)	(425)	264
EARNINGS FROM OPERATIONS	388	11,196
Interest income	105	515
Interest expense	(3,691)	(12,260)
Loss on retirement of notes	(146)	(333)
Recovery on long-term investments	355	355
NET LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(2,989)	(527)
Recovery of (provision for) income taxes	(163)	400
NET LOSS FROM CONTINUING OPERATIONS	(3,152)	(127)
Net loss from discontinued operations	(143)	(292)
NET LOSS	(3,295)	(419)

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

19. SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN THE UNITED STATES AND CANADA (cont'd)

CONSOLIDATED STATEMENT OF CASH FLOWS

The following is the Canadian GAAP Consolidated Statement of Cash Flows for the nine months ended September 30, 2003:

	NINE MONTHS ENDED SEPTEMBER 30, 2003
CASH PROVIDED BY (USED IN):	
OPERATING ACTIVITIES	
Net earnings from continuing operations	$ (127)
Items not involving cash:	
Depreciation and amortization	9,255
Write-downs	260
Loss on retirement of notes	333
Stock and other non-cash compensation	4,344
Interest related to accretion on Subordinated Notes	48
Non-cash foreign exchange gain	(685)
Payment under certain employment agreements	(1,550)
Investment in film assets	(1,108)
Changes in restricted cash	(142)
Changes in other non-cash operating assets and liabilities	(14,461)
Net cash used in operating activities from discontinued operations	(573)
Net cash used in operating activities	(4,406)
INVESTING ACTIVITIES	
Purchase of fixed assets	(1,169)
Increase in other assets	(794)
Increase in other intangible assets	(435)
Recovery on long-term investments	355
Net cash used in investing activities from discontinued operations	(11)
Net cash used in investing activities	(2,054)
FINANCING ACTIVITIES	
Repayment of Subordinated Notes	(9,143)
Common shares issued	1,410
Repayment of long-term debt	(576)
Net cash provided by financing activities from discontinued operations	599
Net cash used in financing activities	(7,710)
Effects of exchange rate changes on cash	184
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(14,001)
Increase in cash and cash equivalents from discontinued operations	15
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(13,986)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	34,380
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,394

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

OVERVIEW

The Company's principal business is the design, manufacture, sale and lease of projector systems for giant screen theaters for customers including commercial theaters, museums and science centers, and destination entertainment sites. In addition, the Company designs and manufactures high-end sound systems and produces and distributes large format films. There are more than 235 IMAX theaters operating in 35 countries worldwide as of September 30, 2004. IMAX Corporation is a publicly traded company listed on both the TSX and NASDAQ.

ACCOUNTING POLICIES AND ESTIMATES

The Company reports its results under United States Generally Accepted Accounting Principles ("U.S. GAAP"). Significant differences between United States and Canadian Generally Accepted Accounting Principles are described in note 19 of the Consolidated financial statements.

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to accounts receivable, net investment in leases, inventories, fixed and film assets, investments, intangible assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience, future expectations and other assumptions that are believed to be reasonable at the date of the financial statements. Actual results may differ from these estimates due to uncertainty involved in measuring, at a specific point in time, events which are continuous in nature. The Company's significant accounting policies are discussed in note 2 of the Consolidated Financial Statements in the Company's most recent annual report on Form 10-K/A (amendment No. 2) for the year ended December 31, 2003 and are summarized below.

SIGNIFICANT ACCOUNTING POLICIES

Management considers the following critical accounting policies to have the most significant effect on its estimates, assumptions and judgements:

REVENUE RECOGNITION

SALES-TYPE LEASES OF THEATER SYSTEMS

Theater system leases that transfer substantially all of the benefits and risks of ownership to customers are classified as sales-type leases as a result of meeting the criteria established by FASB Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("FAS 13"). When revenue is recognized, the initial rental fees due under the contract, along with the present value of minimum ongoing rental payments, are recorded as revenues for the period, and the related theater system costs including installation expenses are recorded as cost of goods and services. Additional ongoing rentals in excess of minimums are recognized as revenue when reported by the theater operator, provided that collection is reasonably assured.

The Company recognizes revenues from sales-type leases generally upon installation of the theater system. Revenue associated with a sales-type lease is recognized when all of the following criteria are met: persuasive evidence of an agreement exists; the price is fixed or determinable; and collection is reasonably assured.

The timing of installation of the theater system is largely dependent on the timing of the construction of the customer's theater. Therefore, while revenue for theater systems is generally predictable on a long-term basis, it can vary from quarter to quarter or year to year depending on the timing of installation.

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

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION (cont'd)

SALES-TYPE LEASES OF THEATER SYSTEMS (cont'd)

The Company monitors the performance of the theaters to which it has leased equipment. When facts and circumstances indicate that it may need to change the terms of a lease, which had previously been recorded as a sales-type lease, the Company evaluates the likely outcome of such negotiations. A provision is recorded against the net investment in leases if the Company believes that it is probable that the negotiation will result in a reduction in the minimum lease payments such that the lease will be reclassified as an operating lease. The provision is equal to the excess of the carrying value of the net investment in lease over the fair value of the equipment. Any adjustments which result from a change in classification from a sales-type lease to an operating lease are reported as a charge to income during the period the change occurs.

In the ordinary course of its business, the Company will from time to time determine that a provision it had previously taken against the net investment in leases in connection with a customer's lease agreement should be reversed due to a change in the circumstances that led to the original provision.

In the normal course of its business, the Company each year will have customers who, for a number of reasons including the inability to obtain certain consents, approvals or financing, are unable to proceed with theater construction. In these instances, where customers of the Company are not in compliance with the terms of their leases for theater systems not yet installed, the leases are in default. There is typically deferred revenue associated with these leases, representing initial lease payments collected prior to the default. These initial lease payments are recognized as revenue when the Company exercises its rights to terminate the lease and the Company is released legally and/or by virtue of an agreement with the customer from its obligations under the lease arrangement. When settlements are received, the Company will allocate the total settlement to each of the elements based on their relative fair value.

OPERATING LEASES OF THEATER SYSTEMS

Leases that do not transfer substantially all of the benefits and risks of ownership to the customer are classified as operating leases. For these leases, initial rental fees and minimum lease payments are recognized as revenue on a straight-line basis over the lease term. Additional rentals in excess of minimum annual amounts are recognized as revenue when reported by theater operators, provided that collection is reasonably assured.

ACCOUNTS RECEIVABLE AND FINANCING RECEIVABLES

The allowance for doubtful accounts receivable and provision against the financing receivables are based on the Company's assessment of the collectibility of specific customer balances and the underlying asset value of the equipment under lease where applicable. If there is a deterioration in a customer's credit worthiness or actual defaults under the terms of the leases are higher than the Company's historical experience, the Company's estimates of recoverability for these assets could be adversely affected.

INVENTORIES

In establishing the appropriate provisions for theater systems inventory, management must make estimates of future events and conditions including the anticipated installation dates for the current backlog of theater system contracts, potential future signings, general economic conditions, technology factors, growth prospects within the customers' ultimate marketplace and the market acceptance of the Company's current and pending projection systems and film library. If management estimates of these events and conditions prove to be incorrect, it could result in inventory losses in excess of the provisions determined to be adequate as at the balance sheet date.

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

SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOODWILL

The Company performs an impairment test on at least an annual basis and additionally, whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a discounted cash flows approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any. Any impairment loss would be expensed in the statement of operations.

FIXED ASSETS

Management reviews the carrying values of its fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. In performing its review for recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of impairment losses is based on the excess of the carrying amount of the asset over the fair value calculated using discounted expected future cash flows. If the actual future cash flows are less than the Company's estimates, future earnings could be adversely affected.

TAX ASSET VALUATION

As at September 30, 2004, the Company had net deferred income tax assets of $4.5 million, comprised of tax credit carryforwards, net operating loss and capital loss carryforwards and other deductible temporary differences, which can be utilized to reduce either taxable income or taxes otherwise payable in future years. The Company's management assesses realization of these net deferred income tax assets based on all available evidence and has concluded that it is more likely than not that these net deferred income tax assets will be realized. Positive evidence includes, but is not limited to, the Company's historical earnings, projected future earnings, contracted sales backlog at September 30, 2004, and the ability to realize certain deferred income tax assets through loss and tax credit carryback strategies. If and when the Company's operations in some jurisdictions were to reach a requisite level of profitability or where the Company's future profitability estimates increase due to changes in positive evidence, the Company would reduce all or a portion of the applicable valuation allowance in the period when such determination is made. This would result in an increase to reported earnings and a decrease to the Company's effective tax rate in such period. However, if the Company's projected future earnings do not materialize, or if the Company operates at a loss in certain jurisdictions, or if there is a material change in actual effective tax rates or time period within which the Company's underlying temporary differences become taxable or deductible, the Company could be required to increase the valuation allowance against all or a significant portion of the Company's deferred tax assets resulting in a substantial increase to the Company's effective tax rate for the period of the change and a material adverse impact on its operating results for the period.

The Company is subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company adjusts tax expense to reflect both favorable and unfavorable examination results. The Company's ongoing assessments of the probable outcomes of examinations and related tax positions require judgement and can materially increase or decrease its effective rate as well as impact operating results.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 2003

The Company reported net earnings from continuing operations of $1.6 million or $0.04 per share on a diluted basis for the third quarter of 2004, compared to net loss from continuing operations of $2.5 million or $0.07 per share on a diluted basis for the third quarter of 2003.

REVENUE

The Company's revenues for the third quarter of 2004 increased 49.9% to $31.8 million from $21.2 million in the same period last year.

IMAX systems revenue increased approximately 86.0% to $21.3 million in the third quarter of 2004 from $11.5 million in the same period last year. The Company recognized revenue on 6 theater systems in the third quarter of 2004, versus 1 theater system in the third quarter of 2003. The increase in systems revenue from installations over the same period last year was partially offset by lower settlement revenue in the period. In the normal course of its business, the Company each year will have customers who, for a number of reasons including the inability to obtain certain consents, approvals or financing, are unable to proceed with theater construction. Once the determination is made that the customer will not proceed with installation, the lease agreement with the customer is generally terminated. Upon the Company being released from its future obligations under the agreement, the initial lease payments that the customer previously made to the Company are recognized as revenue. Settlements relating to terminated lease agreements with customers who were unable to proceed with their theater lease arrangement included in revenue for the third quarter of 2004 total $2.9 million compared to $3.4 million in the corresponding period last year. A significant portion of such revenue in the third quarter of 2004 related to existing customers that restructured their lease agreements and obtained an option to order the Company's new IMAX(R) MPX(TM) projection system.

Films revenue increased 15.2% to $6.1 million in the third quarter of 2004 from $5.3 million in the same period last year. There was an increase in film revenue primarily due to the release of Spider-Man 2 in July 2004 and due to the release of Harry Potter and the Prisoner of Azkaban: The IMAX Experience in June 2004. The increase was partially offset by a decline in the third party business at the Company's post production unit.

Theater operations revenue increased to $3.7 million in the third quarter of 2004 from $3.4 million in the same period last year primarily due to the consolidation of the Company's Tempe theater in 2004 compared to equity-accounting treatment in same period last year when the theater was only 50% owned.

Other revenues decreased 33.4% to $0.8 million in the third quarter of 2004 from $1.1 million in the same period last year primarily due to a decline in camera rentals.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

GROSS MARGIN

Gross margin for the third quarter of 2004 was $14.5 million, or 45.5% of total revenue, compared to $9.7 million, or 45.6% of total revenue, in the same period last year. The increase in gross margin in dollar terms is due to the installation of 6 theater systems in the third quarter of 2004, compared to 1 theater system installation in the third quarter of 2003. Included in gross margin is $2.9 million of settlement revenues for the third quarter of 2004 (compared to $3.4 million of settlement revenue in the corresponding period last year) for terminated lease agreements with customers, a significant portion of which related to existing customers that restructured their lease agreements in order to obtain the Company's new IMAX MPX projection system. Further offsetting the increase in systems gross margin was a decline in film distribution gross margin primarily from costs related to the release of Spider-Man 2. Camera margins have also decreased significantly, primarily due to the decrease of camera rentals in 2004.

The Company improved its gross margin in its owned and operated theater segment due to increased cost efficiencies over the same period last year.

OTHER

Selling, general and administrative expenses were $7.6 million in the third quarter of 2004 compared to $8.3 million in the corresponding period last year. The Company incurred lower legal fees and miscellaneous expenses in the amount of $1.6 million in the third quarter of 2004 versus $2.4 million in the third quarter of 2003. Partially offsetting the decline was an increase in professional fees relating to the implementation of certain policies and procedures in connection with the Sarbanes-Oxley Act of 2002. The Company also recorded a recovery of $0.2 million in its phantom stock plan expense in the third quarter of 2003 compared to $nil in the third quarter of 2004.

The Company no longer has any interests in equity-accounted investees as of December 31, 2003.

Receivable provisions net of recoveries amounted to $nil in the third quarter of 2004 compared to a net recovery of $0.4 million in the same period last year.

Interest income increased to $0.4 million in the third quarter of 2004 from $0.1 million in the same period last year primarily due to interest received relating to tax refunds from favourable tax examinations paid to the Company in the third quarter. This was partially offset by a slight decrease in the average balance of cash and cash equivalents held.

Interest expense increased to $4.4 million in the third quarter of 2004 compared to $3.6 million in the corresponding period last year due to a higher effective interest rate in the current period. The Company retired and repaid an aggregate of $170.8 million of the Company's Old Senior Notes and $9.1 million of 5.75% convertible subordinated notes due April 1, 2003 (the "Subordinated Notes") throughout 2003. As at September 30, 2004, the Company had outstanding $160.0 million aggregate principal of 9.625% senior notes due December 1, 2010 (the "New Senior Notes"). Included in interest expense is the amortization of deferred finance costs in the amount $ 0.3 million in the third quarter of 2004 relating to the New Senior Notes and the Credit Facility and $0.2 million for the third quarter of 2003 relating to the Old Senior Notes. The Company's policy is to defer and amortize all the costs relating to a debt financing over the life of the debt instrument.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

OTHER (cont'd)

In August 2003, the Company agreed to restructure its 6% Senior Secured Convertible Debenture (the "Debenture") due from Mainframe Entertainment, Inc. ("Mainframe"). Under the terms of the restructuring agreement, the payment terms of the Debenture were revised, while the Company retained its security over all of Mainframe's property and assets for the balance of the payments due. The Company recorded $0.4 million in income for the three month period ended September 30, 2003 related to cash received under the debt restructuring agreement.

The effective tax rate on earnings differs significantly from the statutory rate due to the effect of permanent differences, income taxed at differing rates in foreign and other provincial jurisdictions, tax recoveries and charges relating to favourable or unfavourable tax examinations, and changes in the Company's valuation allowance on deferred tax assets. The income tax (expense) recovery for the quarter is calculated by applying the estimated average annual effective tax rate to quarterly pre-tax income. Included within the tax provision in the current quarter the Company recorded a tax recovery of $0.4 million related to refunds resulting from favourable conclusions to two separate tax examinations and the utilization of previously recorded income tax credits. As at September 30, 2004, the Company had a gross deferred tax asset of $50.6 million, against which the Company is carrying a $46.1 million valuation allowance.

RESEARCH AND DEVELOPMENT

Research and development expenses were $1.0 million in both the third quarter of 2004 and 2003. The expenses primarily reflect research and development activities pertaining to the Company's new IMAX MPX theater projection system. Through research and development, the Company continues to design and develop cinema-based equipment and software to enhance its product offering. The Company believes that the motion picture industry will be affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production (editing and special effects), digital re-mastering distribution and display. Consequently, the Company has made significant investments in digital technologies, including the development of a proprietary, patent-pending technology to digitally enhance image resolution and quality of 35mm motion picture films, and has a number of patents pending and intellectual property rights in these areas. However, there can be no assurance that the Company will be awarded patents covering this technology or that competitors will not develop similar technologies.

LOSS ON RETIREMENT OF NOTES

During the third quarter of 2003, the Company recorded a loss of $0.1 million from the retirement of $6.5 million of the Company's Old Senior Notes.

DISCONTINUED OPERATIONS

On December 23, 2003, the Company closed its owned and operated Miami IMAX theater. The Company completed its abandonment of assets and removal of its projection system from the theater in the first quarter of 2004, with no financial impact. The Company is involved in an arbitration proceeding with the landlord of the theater with respect to the amount owing to the landlord by the Company for lease and guarantee obligations. The amount of loss to the Company has been estimated at between $0.8 million and $2.3 million, of which the Company had accrued $0.8 million as at December 31, 2003. During 2004, the Company paid out $0.8 million with respect to amounts owing to the landlord. As the Company is uncertain as to the outcome of the proceeding, no additional amount has been recorded. The Company recorded $nil in net earnings from discontinued operations related to Miami IMAX theater in the three months ended September 30, 2004 compared to a loss of $0.3 million in the same period for 2003.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS THREE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

DISCONTINUED OPERATIONS (cont'd)

Effective December 11, 2001, the Company completed the sale of its wholly-owned subsidiary, Digital Projection International, including its subsidiaries (collectively "DPI"), to a company owned by members of DPI management.

As part of the transaction, the Company restructured its advances to DPI, releasing DPI from obligations to repay any amounts in excess of $12.7 million previously advanced by the Company, and reorganized the remaining $12.7 million of debt owing to the Company into two separate loan agreements. During both the third quarters of 2003 and 2004, the Company recognized $0.2 million in income from discontinued operations for cash ultimately received. As of September 30, 2004, the remaining loan receivable balance is $11.3 million, which has been fully provided for.

NINE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2003

The Company reported net earnings from continuing operations of $1.9 million or $0.05 per share on a diluted basis for the first nine months of 2004, compared to net earnings from continuing operations of $1.0 million or $0.03 per share on a diluted basis for the first nine months of 2003.

REVENUE

The Company's revenues for the first nine months of 2004 decreased 1.0% to $88.5 million from $89.3 million in the same period last year.

IMAX systems revenue increased approximately 3.4% to $57.8 million in the first nine months of 2004 from $55.9 million in the same period last year. The increase in systems revenue was due in part to higher average revenue per system and higher settlement revenue in the period. In addition, the Company recognized revenue on 13 theater systems in the first nine months of 2004, versus 15 theater systems in the first nine months of 2003, one of which was an operating lease. Average sales and lease revenue increased in 2004 versus 2003 due to the mix of projector systems installed during the year. In the normal course of its business, the Company each year will have customers who, for a number of reasons including the inability to obtain certain consents, approvals or financing, are unable to proceed with theater construction. Once the determination is made that the customer will not proceed with installation, the lease agreement with the customer is generally terminated. Upon the Company being released from its future obligations under the agreement, the initial lease payments that the customer previously made to the Company are recognized as revenue. Settlements relating to terminated lease agreements with customers who were unable to proceed with their theater lease arrangement included in revenue for the first nine months of 2004 total $9.5 million compared to $7.6 million in the corresponding period last year. A significant portion of such revenue in the first nine months of 2004 related to existing customers that restructured their lease agreements in order to obtain the Company's new IMAX(R) MPX(TM) projection system.

Films revenue decreased 12.3% to $17.2 million in the first nine months of 2004 from $19.6 million in the same period last year. There was a decline in the Company's film post production revenue due to lower third party activity. This was partially offset by an increase in film revenue due to the releases of Spider-Man 2 in July 2004, Harry Potter and the Prisoner of Azkaban: The IMAX Experience in June 2004 and due to the release of NASCAR 3D: The IMAX Experience in March 2004.

Theater operations revenue increased to $11.2 million in the first nine months of 2004 from $10.1 million in the same period last year, primarily due to the consolidation of the Company's Tempe theater in 2004 compared to equity-accounting treatment in same period last year when the theater was only 50% owned.

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

RESULTS OF OPERATIONS (cont'd)

NINE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

REVENUE (cont'd)

Other revenues decreased 38.5% to $2.3 million in the first nine months of 2004 from $3.7 million in the same period last year primarily due to the decrease of camera rentals in 2004.

GROSS MARGIN

Gross margin for the first nine months of 2004 was $41.4 million, or 46.9% of total revenue, compared to $40.0 million, or 44.8% of total revenue, in the same period last year. The increase in gross margin in dollar terms is due primarily to increased settlement revenues for the first nine months of 2004 for terminated lease agreements with customers, a significant portion of which related to existing customers that restructured their lease agreements in order to obtain the Company's new IMAX MPX projection system. Partially offsetting the increase in systems gross margin was a decline in film distribution gross margin due largely to the decline in the performance of the Company's film library and expenses incurred in connection with the release of Spider-Man 2. Camera margins have also decreased significantly, primarily due to the decrease of camera rentals in 2004.

The Company significantly improved its gross margin in dollar and percentage terms in its owned and operated theater segment due to increased cost efficiencies over the same period last year.

OTHER

Selling, general and administrative expenses were $24.5 million in the first nine months of 2004 compared to $24.9 million in the corresponding period last year. The Company recorded a recovery in its phantom stock plan expense of $0.4 million in the first nine months of 2004 due the decrease in the Company's share price compared to an expense of $1.4 million in the first nine months of 2003. The Company incurred lower legal fees and miscellaneous expenses in the amount of $5.4 million in the first nine months of 2004 compared to $6.2 million in the first nine months of 2003. Partially offsetting the above was an increase professional fees in the amount of $0.5 million in the period primarily relating to the implementation of certain policies and procedures in connection with the Sarbanes-Oxley Act of 2002. The Company expensed $0.5 million for capital taxes paid in the first nine months of 2004 compared to a recovery of $0.1 million for refunds received in 2003.

The Company no longer has any interests in equity-accounted investees as of December 31, 2003.

Receivable provisions net of recoveries amounted to as a net recovery of $1.0 million in the first nine months of 2004 compared to a net provision of $0.3 million in the same period last year. The Company recorded an accounts receivable recovery of $0.3 million as compared to a provision of $0.5 million in the same period last year. There was a net recovery of $0.7 million in the first nine months of 2004 on financing receivables as compared to a net recovery of $0.3 million in the same period last year due to a favorable outcome on lease amendments.

Interest income increased to $0.7 million in the first nine months of 2004 from $0.5 million in the same period last year primarily due to interest received relating to tax refunds received by the Company. This was partially offset by a decrease in the average balance of cash and cash equivalents held.

Interest expense increased slightly to $12.6 million in the first nine months of 2004 from $11.9 million in the same period last year due to a higher effective interest rate in the current period. The Company retired and repaid an aggregate of $170.8 million of the Company's Old Senior Notes throughout 2003 and $9.1 million of Subordinated Notes on April 1, 2003. As at September 30, 2004, the Company had $160.0 million aggregate principal of the New Senior Notes outstanding. Included in interest expense is the amortization of deferred finance costs in the amount $0.8 million in the first nine months of 2004 and $0.5 million for 2003. The Company's policy is to defer and amortize all the costs relating to a debt financing over the life of the debt instrument.

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

RESULTS OF OPERATIONS (cont'd)

NINE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

OTHER (cont'd)

In August 2003, the Company agreed to restructure its 6% Senior Secured Convertible Debenture (the "Debenture") due from Mainframe Entertainment, Inc. ("Mainframe"). Under the terms of the restructuring agreement, the payment terms of the Debenture were revised, while the Company retained its security over all of Mainframe's property and assets for the balance of the payments due. The Company recorded $0.4 million in income for the nine month period ended September 30, 2003 related to cash received under the debt restructuring agreement.

The effective tax rate on earnings differs significantly from the statutory rate due to the effect of permanent differences, income taxed at differing rates in foreign and other provincial jurisdictions and changes in the Company's valuation allowance on deferred tax assets. The income tax expense (recovery) for the period is calculated by applying the estimated average annual effective tax rate to the period pre-tax income. Included within the tax provision, the Company recorded income tax refunds of $0.8 million in the first nine months of 2004 from $1.5 million in the same period last year.

RESEARCH AND DEVELOPMENT

Research and development expenses were $3.0 million in the first nine months of 2004 versus $2.8 million in the same period last year. The higher level of expenses in 2004 primarily reflects research and development activities pertaining to the Company's new IMAX MPX theater projection system. Through research and development, the Company continues to design and develop cinema-based equipment and software to enhance its product offering. The Company believes that the motion picture industry will be affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production (editing and special effects), digital re-mastering distribution and display. Consequently, the Company has made significant investments in digital technologies, including the development of a proprietary, patent-pending technology to digitally enhance image resolution and quality of 35mm motion picture films, and has a number of patents pending and intellectual property rights in these areas. However, there can be no assurance that the Company will be awarded patents covering this technology or that competitors will not develop similar technologies.

LOSS ON RETIREMENT OF NOTES

During the first nine months of 2004, the Company recorded a loss of $0.8 million related to costs associated with the redemption of $29.2 million of the Company's Old Senior Notes. This transaction had the effect of fully extinguishing the Old Senior Notes. During the first nine months of 2003, the Company recorded a loss of $0.3 million from the retirement of $31.5 million of the Company's Old Senior Notes.

DISCONTINUED OPERATIONS

On December 23, 2003, the Company closed its owned and operated Miami IMAX theater. The Company abandoned or removed all of its assets from the theater in the first quarter of 2004. The Company is involved in an arbitration proceeding with the landlord of the theater with respect to the amount owing to the landlord by the Company for lease and guarantee obligations. The amount of loss to the Company has been estimated at between $0.8 million and $2.3 million, of which the Company had accrued $0.8 million as at December 30, 2003. During 2004, the Company paid out $0.8 million with respect to amounts owing to the landlord. As the Company is uncertain as to the outcome of the proceeding, no additional amount has been recorded. The Company recorded $nil in net earnings from discontinued operations related to Miami IMAX theater in the nine months ended September 30, 2004 compared to a loss of $0.9 million in the same period for 2003.

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

RESULTS OF OPERATIONS (cont'd)

NINE MONTHS ENDED SEPTEMBER 30, 2004 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 2003 (cont'd)

DISCONTINUED OPERATIONS (cont'd)

Effective December 11, 2001, the Company completed the sale of its wholly-owned subsidiary, Digital Projection International, including its subsidiaries (collectively "DPI"), to a company owned by members of DPI management. As part of the transaction, the Company restructured its advances to DPI, releasing DPI from obligations to repay any amounts in excess of $12.7 million previously advanced by the Company, and reorganized the remaining $12.7 million of debt owing to the Company into two separate loan agreements. During the first nine months of 2003 and 2004, the Company recognized $0.6 million in income from discontinued operations for cash ultimately received. As of September 30, 2004, the remaining loan receivable balance is $11.3 million, which has been fully provided for.

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITY

On February 6, 2004, the Company entered into a loan agreement for a secured revolving credit facility with Congress Financial Corporation (Canada) (the "Credit Facility") The Credit Facility is a three-year revolving credit facility with yearly renewal options thereafter, permitting maximum aggregate borrowings of $20.0 million, subject to a borrowing base calculation which includes the Company's financing receivables, and certain reserve requirements. The Credit Facility bears interest at Prime + 0.25% per annum or Libor + 2.0% per annum and is collateralized by a first priority security interest in all of the current and future assets of the Company. The Credit Facility contains typical affirmative and negative covenants, including covenants that restrict the Company's ability to: incur certain additional indebtedness; make certain loans, investments or guarantees; pay dividends; make certain asset sales; incur certain liens or other encumbrances; conduct certain transactions with affiliates and enter into certain corporate transactions or dissolve. In addition, the Credit Facility contains customary events of default, including upon an acquisition or a change of control that has a material adverse effect on the Company's financial condition. The Credit Facility also requires the Company to maintain a minimum level of earnings before interest, taxes, depreciation and amortization, and cash collections. As at September 30, 2004, the Company has not drawn down on the Credit Facility, however, it has issued letters of credit for $5.2 million under the Credit Facility arrangement.

CASH AND CASH EQUIVALENTS

As at September 30, 2004, the Company's principal sources of liquidity included cash and cash equivalents of $20.7 million, trade accounts receivable of $17.6 million and net investment in leases due within one year of $5.9 million. As at September 30, 2004, the Company had not drawn down any amounts under the Credit Facility. In January 2004, the Company retired the remaining $29.2 million in Old Senior Notes using existing cash balances.

The Company believes that cash flow from operations together with existing cash and borrowing available under the Credit Facility will be sufficient to meet operating needs for the foreseeable future. However, if management's projections of future signings and installations are not realized, there is no guarantee the Company will continue to be able to fund its operations through cash flows from operations. Under the terms of the Company's typical theater system lease agreement, the Company receives substantial cash payments before the Company completes the performance of its obligations. Similarly, the Company receives cash payments for some of its film productions in advance of related cash expenditures.

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

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

CASH AND CASH EQUIVALENTS (cont'd)

The Company's net cash provided by (used in) operating activities is impacted by a number of factors, including the proceeds associated with new signings of theater system lease and sale agreements in the year, the box office performance of large format films distributed by the Company and/or exhibited in the Company's theaters, increases or decreases in the Company's operating expenses, and the level of cash collections received from its customers.

Cash provided by operating activities amounted to $4.7 million for the period ended September 30, 2004. Changes in other non-cash operating assets as compared to December 31, 2003 include a decrease of $1.3 million in inventories, an increase of $3.3 million in financing receivables, a $3.0 million increase in accounts receivable and a $1.6 million increase in prepaid expenses which relates to prepaid film print costs which will be expensed over the period to be benefited. Changes in other non-cash operating liabilities as compared to December 31, 2003 include a decrease in deferred revenue of $12.7 million, an increase in accounts payable of $0.9 million and an increase of $7.9 million in accrued liabilities. Included in operating activities for the first nine months of 2004 were $4.7 million in film finance proceeds which are required to be spent on a specific film project, and $0.6 million in premiums paid to retire $29.2 million of principal of the Company's remaining Old Senior Notes. Net cash provided by operating activities increased by $5.0 million in the first nine months of 2004 primarily due to the elimination of the Company's restricted cash balances, which were used as collateral for letters of credit. The Company now secures letters of credit through the Credit Facility, which was entered into in February 2004.

Cash used in investing activities amounted to $1.8 million in the first nine months of 2004, which includes purchases of $0.7 million in fixed assets, an increase in other assets of $0.9 million and an increase in other intangible assets of $0.3 million.

Cash used in financing activities in the first nine months of 2004 amounted to $29.5 million. The Company retired $29.2 million of principal of the Company's Old Senior Notes. Financing costs related to the New Senior Notes amounted to $0.7 million. The Company also received $0.4 million in cash on a note receivable from a discontinued operation.

Capital expenditures including the purchase of fixed assets and investments in film assets were $3.5 million for the first nine months of 2004.

Cash used in operating activities amounted to $4.7 million in the first nine months of 2003. Changes in other non-cash operating assets and liabilities included a decrease in deferred revenue of $18.7 million, and a decrease of $6.1 million in inventories. Cash used by investing activities in the first nine months of 2003 amounted to $2.0 million, primarily consisting of $1.1 million invested in fixed assets. The Company has also recorded $0.4 million in income related to cash received under a restructuring agreement with Mainframe Entertainment, Inc. Cash used in financing activities in the first nine months of 2003 amounted to $7.1 million which included a $9.1 million repayment of the Company's remaining outstanding Subordinated Notes and $0.6 million from the receipt of a note receivable from a discontinued operation. Capital expenditures including the purchase of fixed assets and investments in film assets were $2.3 million in the first nine months of 2003.

LETTERS OF CREDIT AND OTHER COMMITMENTS

As at September 30, 2004, the Company has letters of credit of $5.2 million outstanding of which the entire balance has been secured by the Credit Facility. In addition, the Company is required to expend $5.0 million towards the production of a future motion picture title. The Company has expended $0.3 million of these funds as at September 30, 2004.

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

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

NEW SENIOR NOTES DUE 2010

As at September 30, 2004, the Company has $160.0 million aggregate principal of 9.625% senior notes due December 1, 2010 (the "New Senior Notes"). On October 6, 2004, the Company commenced an offer to exchange up to US$160,000,000 aggregate principal amount of its outstanding New Senior Notes for a like principal amount of its 9.625% Senior Notes due 2010 (the "Registered Notes"). The Company's registration statement on Form S-4 relating to the Registered Notes was declared effective by the Securities and Exchange Commission on September 30, 2004. The Registered Notes are unconditionally guaranteed, jointly and severally, by certain of the Company's wholly-owned subsidiaries. The terms of the Registered Notes are substantially identical to the terms of the New Senior Notes, and evidence the same indebtedness as the New Senior Notes, except that the Registered Notes are registered under U.S. securities laws, do not contain restrictions on transfer or provisions relating to special interest under circumstances related to the timing of the exchange offer, bear a different CUSIP number from the New Senior Notes and do not entitle their holders to registration rights.

The terms of the Company's New Senior Notes impose certain restrictions on its operating and financing activities, including certain restrictions on the Company's ability to: incur additional indebtedness; make distributions or certain other restricted payments; grant liens; create dividend and other payment restrictions affecting the Company's subsidiaries; sell certain assets or merge with or into other companies; and enter into transactions with affiliates. The Company believes these restrictions will not have a material impact on its financial condition or results of operations.

OLD SENIOR NOTES DUE 2005

In December 2003, the Company completed a tender offer and consent solicitation for its remaining $152.8 million of principal of senior notes due December 1, 2005 bearing interest at a rate of 7.875% per annum (the "Old Senior Notes") that were not retired previously. In December 2003, $123.6 million in principal of the Old Senior Notes were redeemed pursuant to a tender offer. Notice of Redemption for all remaining outstanding Old Senior Notes was delivered on December 4, 2003 and the remaining $29.2 of outstanding Old Senior Notes were redeemed on January 2, 2004 using proceeds from the Company's New Senior Notes.

In January 2004, the Company recorded a loss of $0.8 million related to the retirement of the Company's Old Senior Notes. During the first nine months of 2003, the Company recorded a loss of $0.3 million from the retirement of $31.5 million of the Company's Old Senior Notes.

PENSION OBLIGATIONS

The Company has a defined benefit pension plan covering its two Co-Chief Executive Officers. As September 30, 2004, the Company had an unfunded and accrued projected benefit obligation of approximately $22.6 million (December 31, 2003 - $20.1 million) in respect of this defined benefit pension plan. The Company intends to use the proceeds of life insurance policies taken on its Co-Chief Executive Officers to satisfy, in whole or in part, certain of the benefits due and payable under the plan, although there can be no assurance that the Company will ultimately do so.

OFF-BALANCE SHEET ARRANGEMENTS

There are currently no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Company's financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE FACTORS ABOUT MARKET RISK

The Company is exposed to market risk from changes in foreign currency rates. The Company does not use financial instruments for trading or other speculative purposes.

A majority of the Company's revenue is denominated in U.S. dollars while a significant portion of its costs and expenses is denominated in Canadian dollars. A portion of the Company's net U.S. dollar flows is converted to Canadian dollars to fund Canadian dollar expenses through the spot market. In Japan, the Company has ongoing operating expenses related to its operations. Net Japanese yen flows are converted to U.S. dollars through the spot market. The Company also has cash receipts under leases denominated in Japanese yen, Euros and Canadian dollars. The Company plans to convert Japanese yen and Euros lease cash flows to U.S. dollars through the spot markets on a go-forward basis.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's Co-Chief Executive Officers and Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d- 15(e)) as of the end of the period covered by this report, have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequate and effective. The Company will continue to periodically evaluate its disclosure controls and procedures and will make modifications from time to time as deemed necessary to ensure that information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of the end of the period covered by this report there was no change in the Company's internal control over financial reporting that occurred during the period covered by this report that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

(a) In March 2001, a complaint was filed against the Company by Muvico Entertainment, L.L.C. ("Muvico"), alleging misrepresentation and seeking rescission in respect of the system lease agreements between the Company and Muvico. The complaint was subsequently amended to add claims for fraud based upon the same factual allegations underlying its prior claims. The Company filed counterclaims against Muvico for breach of contract, unjust enrichment, unfair competition and/or deceptive trade practices and theft of trade secrets, and brought claims against MegaSystems, Inc. ("MegaSystems"), a large-format theater system manufacturer, for tortious interference and unfair competition and/or deceptive trade practices and to enjoin Muvico and MegaSystems from using the Company's confidential and proprietary information. The case is being heard in the U.S. District Court, Southern District of Florida, Miami Division. On September 27, 2004, the Court granted the Company's motion for summary judgment, awarding the Company judgment as a matter of law on all of the substantive claims asserted by Muvico in the complaint. The Company is awaiting final decision from the Court with regard to its damages claims.

(b) In May 2003, the Company filed a Statement of Claim in the Ontario Superior Court of Justice against United Cinemas International Multiplex B.V. ("UCI") for specific performance, or alternatively, damages of $25.0 million with respect to the breach of a 1999 agreement between the Company and UCI whereby UCI committed to purchase IMAX theater systems from the Company. In August 2003, UCI filed a Statement of Defence denying it is in breach. On December 10, 2003, UCI and its two subsidiaries in the United Kingdom and Japan filed a claim against the Company claiming alleged breaches of the 1999 agreement referred to in the Company's claim against UCI, and repeating allegations contained in UCI's Statement of Defence to the Company's action. The Company believes that the allegations made by UCI in its complaint are entirely without merit and will accordingly defend the claims vigorously. The Company believes that the amount of loss, if any, suffered in connection with this lawsuit would 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 any such litigation.

(c) In November 2001, the Company filed a complaint with the District Court of Munich against Big Screen, a German large-screen cinema owner in Berlin ("Big Screen"), demanding payment of rental payments and certain other amounts owed to the Company. Big Screen has raised a defense based on alleged infringement of German antitrust rules, relating mainly to an allegation of excessive pricing. Big Screen had brought a number of motions for restraining orders in this matter relating to the Company's provision of films and maintenance, all of which have been rejected by the courts, including the Berlin Court of Appeals, and for which all appeals have been exhausted. The Company believes that all of the allegations in Big Screen's individual defense are entirely without merit and will accordingly continue to prosecute this matter vigorously. The Company believes that the amount of the loss, if any, suffered in connection with this dispute would 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 any such litigation.

PART II OTHER INFORMATION (cont'd)

ITEM 1. LEGAL PROCEEDINGS (cont'd)

(d) In May, 2002, the Company filed a complaint with the District Court of Nuremberg-Furth, Germany against Siewert Holding in Wuerzburg ("Siewert"), demanding payment of rental obligations and other amounts owed to the Company. Siewert raised a defense based on alleged infringement of German antitrust rules. By judgement of December 20, 2002, the District Court rejected the defense and awarded judgement in documentary proceedings in favor of the Company and added further amounts that had fallen due. Siewert applied for leave to appeal to the German Supreme Court on matters of law, which was rejected by the German Supreme Court in March 2004. Siewert subsequently made a partial payment of amounts awarded to the Company. Siewert has filed follow up proceedings to the documentary proceedings in the District Court, essentially repeating the claims rejected in the documentary proceeding. On September 30, 2004, Siewert filed for insolvency with the Local Court in Wuerzburg. To the extent the lawsuit will be continued following the commencement of the insolvency proceedings, the Company will continue to vigorously pursue its claims and believes that the amount of loss, if any, suffered in connection with these proceedings would 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 any such litigation.

(e) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages of approximately $3.7 million before the International Court of Arbitration of the International Chambers of Commerce (the "ICC") with respect to the breach by Electronic Media Limited ("EML") of its December 2000 agreement with the Company. In April 2004, EML filed an answer and counterclaim seeking the return of funds EML has paid to the Company, incidental expenses and punitive damages. In June 2004, the Company commenced a related arbitration before the ICC against EML's affiliate, E-CITI Entertainment (I) PVT Limited ("E-Citi"), seeking $17,777,950 as a result of E-Citi's breach of a September 2000 lease agreement. E-Citi has responded to the arbitration demand and has asserted several defenses, including that the ICC does not have jurisdiction for the arbitration. The Company believes that the allegations made by EML in its counterclaim are entirely without merit and has requested that the counterclaim be dismissed on the basis that EML has recently advised the ICC that it has insufficient funds to pay its share of the arbitration costs. The Company believes that the amount of loss, if any, suffered in connection with the arbitration would 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 any such litigation.

(f) In addition to the matters described above, the Company is currently involved in other legal proceedings 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 of any such proceedings.

PART II OTHER INFORMATION (cont'd)

ITEM 6. EXHIBITS

(A) EXHIBITS

10.1	Stock Option Plan of IMAX Corporation, dated August 12, 2004.
31.1	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Bradley J. Wechsler.
31.2	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Richard L. Gelfond.
31.3	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Francis T. Joyce.
32.1	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Bradley J. Wechsler.
32.2	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Richard L. Gelfond.
32.3	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated October 28, 2004, by Francis T. Joyce

IMAX CORPORATION

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: October 28, 2004	By: /s/ Francis T. Joyce ------------------------------------ Francis T. Joyce Chief Financial Officer (Principal Financial Officer)
Date: October 28, 2004	By: /s/ Kathryn A. Gamble ------------------------------------ Kathryn A. Gamble Vice President, Finance, Controller (Principal Accounting Officer)

IMAX CORPORATION

STOCK OPTION PLAN

AUGUST 12, 2004

IMAX CORPORATION

STOCK OPTION PLAN

1. PURPOSE

The purposes of the IMAX Stock Option Plan (the "Plan") are to attract, retain and motivate directors, officers, key employees and consultants of the Company and its Subsidiaries and to provide to such persons incentives and awards for superior performance.

2. DEFINITIONS

As used in this Plan the following terms have the following meanings:

(a) "Agreement" has the meaning set forth in Section 6 below.

(b) "Award" means an Option.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means a termination of the Participant's employment with the Company or one of its Subsidiaries (a) for "cause" as defined in an employment agreement applicable to the Participant, or (b) in the case of a Participant who does not have an employment agreement that defines "cause", because of: (i) any act or omission that constitutes a material breach by the participant of any of his obligations under his employment agreement with the Company or one of its Subsidiaries or the applicable Agreement; (ii) the continued failure or refusal of the Participant to substantially perform the duties reasonably required of him as an employee of the Company or one of its Subsidiaries; (iii) any wilful and material violation by the Participant of any law or regulation applicable to the business of the Company or one of its Subsidiaries, or the Participant's conviction of a felony, or any wilful perpetration by the Participant of a common law fraud; or (iv) any other wilful misconduct by the Participant which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its Subsidiaries.

(e) "Change of Control" means an event or series of events where any person, or group of persons acting in concert, other than Bradley J. Wechsler and Richard L. Gelfond, acquire greater than fifty percent (50%) of the outstanding common shares of the Company whether by direct or indirect acquisition or as a result of a merger, reorganization or sale of substantially all of the assets of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means a committee of the Board comprised of at least two directors selected by the Board to administer the Plan.

(h) "Common Share" means a share of common stock, no par value, of the Company.

(i) "Company" means IMAX Corporation, a corporation organized under the laws of Canada.

(j) "Date of Grant" means the date specified by the Committee on which an Award shall become effective (which date shall not be earlier than the date on which the Committee takes action with respect thereto).

(k) "Fair Market Value" of a Common Share on a given date means the higher of the closing price of a Common Share on such date (or the most recent trading date if such date is not a trading date) on the NASDAQ/National Market System, The Toronto Stock Exchange and such national exchange, if any, as may be designated by the Board.

(l) "Option Price" means the purchase price per Common Share payable on exercise of an Option, as determined by the Committee in its sole discretion (subject to the terms of the Plan) and as set forth in the applicable Agreement.

(m) "Option" means the right to purchase a Common Share upon exercise of a stock option granted pursuant to the Plan.

(n) "Participant" means a person to whom an Award is to be made under the Plan and who is at the time of such Award an officer, employee or consultant of the Company, or any of its Subsidiaries, or a person who is a director of the Company or any of its Subsidiaries and who is not also an employee of the Company or any of its Subsidiaries at the Date of Grant, or a person who has agreed to commence serving in any such capacity within 90 days of the Date of Grant, or any personal holding corporation controlled by any such person, the shares of which are held directly or indirectly by such person or such person's spouse, minor children or minor grandchildren, or any registered retirement savings plan or registered educational savings plan for the sole benefit of any such person.

(o) "Permanent Disability" means a physical or mental disability or infirmity of the Participant that prevents the normal performance of substantially all his duties as an employee of the Company or any Subsidiary, which disability or infirmity shall exist for any continuous period of 180 days within any twelve-month period.

(p) "Rule 16b-3" means Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(q) "Subsidiary" means any corporation or other entity in which the Company owns or controls, directly or indirectly, not less than 50% of the total combined voting power represented by all voting securities or other voting interests in such entity.

(r) "Vested Options" means, as of any date, Options which by their terms are exercisable on such date.

3. ADMINISTRATION OF THE PLAN

(a) The Plan shall be administered, and Awards shall be granted hereunder, by or under the authority of the Committee. A majority of the Committee shall constitute a quorum, and the action of the members of the Committee present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the Committee.

(b) The interpretation and construction by the Committee of any provision of the Plan or of any Agreement, and any determination by the Committee pursuant to any provision of this Plan or of any Agreement shall be final and conclusive. No member of the Committee shall be liable for any such action or determination made in good faith.

4. SHARES AVAILABLE UNDER PLAN

The maximum number of Common Shares which may be issued upon the exercise of Options granted under the Plan is 10,210,836 Shares, subject to adjustment as provided in Paragraph 9. Such shares may be shares previously issued or treasury shares or a combination of the foregoing. Any Common Shares which are subject to Options which expire or which have been surrendered without being exercised in full shall again be available for issuance under this Plan.

5. OPTIONS

The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Options provided, however, that: (i) at no time shall the number of Common Shares reserved for issuance to any one Participant under the Plan or any other share compensation arrangement exceed 5% of the outstanding issue of Common Shares; (ii) at no time shall the number of Common Shares reserved for issuance pursuant to stock options granted to "insiders" (as that term is defined in Section 627 of The Toronto Stock Exchange Company Manual) exceed 10% of the outstanding issue of Common Shares; (iii) under no circumstances shall insiders be issued in excess of 10% of the outstanding issue of Common shares within any one-year period pursuant to the exercise of Options granted under the Plan or any other share compensation arrangement; and (iv) under no circumstances shall any one insider and that insider's associates be issued in excess of 5% of the outstanding issue of Common Shares within any one-year period pursuant to the exercise of Options granted under the Plan or any other share compensation arrangement.

6. AGREEMENT

The terms and conditions of each Option shall be embodied in a written agreement (the "Agreement") in a form approved by the Committee which shall contain terms and conditions not inconsistent with the Plan and which shall incorporate the Plan by reference. Options granted under the Plan shall comply with the following terms and conditions:

(i) Each Agreement shall specify the number of Common Shares for which Options have been granted.

(ii) Each Agreement shall specify the Option Price, which shall not be less than 100% of the Fair Market Value per Common Share on the Date of Grant.

(iii) Each Agreement shall specify that the Option Price shall be payable (a) in cash or by cheque acceptable to the Company, (b) by the transfer to the Company of Common Shares having an aggregate Fair Market Value per Common Share at the date of exercise equal to the aggregate Option Price or (c) by a combination of such methods of payment.

(iv) Successive grants may be made to the same Participant whether or not any Options previously granted to such Participant remain unexercised.

(v) Each Agreement shall specify the applicable vesting schedule and the effective term of the Option. In the event of a termination of a Participant's employment by reason of death or Permanent Disability, 50% of such Participant's Options shall become Vested Options if such Options were less than 50% vested at the time of such termination.

(vi) Options granted under the Plan are not intended to qualify as "incentive stock options" within the meaning of Section 422A of the Code.

(vii) No Option shall be exercisable more than ten years from the date of Grant.

(viii) Each Option granted under the Plan shall be subject to such additional terms and conditions, not inconsistent with the Plan, which are prescribed by the Committee and set forth in the applicable Agreement.

(ix) As soon as practicable following the exercise of any Options, a certificate evidencing the number of Common Shares issued in connection with such exercise shall be issued in the name of the Participant or as the Participant shall otherwise, in writing, direct.

7. TERMINATION OF EMPLOYMENT, CONSULTING AGREEMENT OR TERM OF OFFICE

(a) In the event that a Participant's employment, consulting arrangement or term of office with the Company or one of its Subsidiaries terminates for any reason, unless the Committee or the Board determines otherwise, any Options which have not become Vested Options shall terminate and be cancelled without any consideration being paid therefor.

(b) In the event that a Participant's employment with the Company or one of its Subsidiaries is terminated without Cause, or the Participant's employment is terminated by reason of the Participant's voluntary resignation (including by reason of retirement), death or Permanent Disability, or upon the termination of a Participants' consulting arrangement or term of office, the Participant (or the Participant's estate) shall be entitled to exercise the Participant's Options which have become Vested Options as of the date of termination for a period of 30 days, or such longer period as the Committee or the Board determines, following the date of termination.

(c) In the event that a Participant's employment, consulting arrangement or term of office with the Company or one of its Subsidiaries is terminated for Cause, such Participant's Vested Options shall terminate and be cancelled without any consideration being paid therefor.

8. TRANSFERABILITY

No Option shall be transferable by a Participant other than by will or the laws of descent and distribution, provided, however, that Options may be transferred if approved by the Committee or the Board and by any regulatory authority having jurisdiction or stock exchange on which the common shares subject to Options are listed. Options shall be exercisable during the Participant's lifetime only by the Participant or by the Participant's guardian or legal representative.

9. CHANGE OF CONTROL

All Options granted under the Plan (or any predecessor of the Plan) shall immediately vest and become fully exercisable upon the occurrence of (a) a Change of Control; and (b) the occurrence of one or more of the following: (i) the Participant's employment or term of office with the Company, or one of its subsidiaries, is terminated without cause; (ii) the dimunition of the Participant's title and/or responsibilities; and (iii) the Participant is asked to relocate more than twenty-five (25) miles from his/her existing office.

10. ADJUSTMENTS

The Committee may make or provide for such adjustments in the maximum number of Common Shares specified in Paragraph 4, in the number of Common Shares covered by outstanding Options granted hereunder, and/or in the Option Price applicable to such Options as the Committee in its sole discretion may determine is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, merger, consolidation, spin-off, reorganization, partial or complete liquidation, issuance of rights or warrants to purchase securities or any other corporate transaction or event having an effect similar to any of the foregoing.

11. FRACTIONAL SHARES

The Company shall not be required to issue any fractional Common Shares pursuant to the Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

12. WITHHOLDING TAXES

The Company and its Subsidiaries shall have the right to require any individual entitled to receive Common Shares pursuant to an Option to remit to the Company, prior to the delivery of any certificates evidencing such shares, any amount sufficient to satisfy any Canadian or United States federal, state, provincial or local tax withholding requirements. Prior to the Company's determination of such withholding liability, such individual may make an irrevocable election to satisfy, in whole or in part, such obligation to remit taxes by directing the Company to withhold Common Shares that would otherwise be received by such individual. Such election may be denied by the Committee in its discretion, or may be made subject to certain conditions specified by the Committee, including, without limitation, conditions intended to avoid the imposition of liability against the individual under Section 16(b) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

13. REGISTRATION RESTRICTIONS

An Option shall not be exercisable unless and until (i) a registration statement under the Securities Act of 1933, as amended, has been duly filed and declared effective pertaining to the Common Shares subject to such Option, such Common Shares shall have been qualified under applicable state "blue sky" laws and the Company has been a "reporting issuer" for purposes of the Ontario Securities Act in good standing for not less than twelve months, or (ii) the Committee, in its sole discretion determines that such registration, qualification and status is not required as a result of the availability of an exemption from such registration, qualification, and status under such laws.

14. SHAREHOLDER RIGHTS

A Participant shall have no rights as a shareholder with respect to any Common Shares issuable upon exercise of an Option until a certificate or certificates evidencing such shares shall have been issued to such Participant, and no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date upon which the Participant shall become the holder of record thereof.

15. BREACH OF RESTRICTIVE COVENANTS

If (i) a Participant is a party to an employment agreement with the Company or any of its Subsidiaries or affiliates and (ii) such Participant materially breaches any of the restrictive covenants set forth in such employment agreement (including, without limitation, any restrictive covenants relating to non-competition, non-solicitation or confidentiality), then all of such Participant's Options (whether or not Vested Options) shall terminate and be cancelled without consideration being paid therefor.

16. AMENDMENTS, ETC.

(a) The Board may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, and the Committee may, subject to applicable legal requirements at any time and from time to time waive any provision of any Option or Agreement; provided, however, that no termination or amendment of the Plan or any waiver of any provision of any Option or Agreement may, without the consent of the Participant to whom any Award shall previously have been granted, adversely affect the rights of such Participant in such Award; provided further, however that amendments shall be subject to (x) the approval of a majority of the Common Shares entitled to vote if the Committee determines that such approval is necessary in order for the Company to rely on the exemptive relief provided under Rule 16b-3 and (y) all other approvals, whether regulatory, shareholder or otherwise, which are required by law, The Toronto Stock Exchange or any other applicable securities exchange.

(b) The Plan shall not confer upon a Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

17. EFFECTIVE DATE

The Plan, as amended, shall be effective as of August 12, 2004.

18. GOVERNING LAW

The Plan and all rights hereunder shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

IMAX CORPORATION
Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES - OXLEY ACT OF 2002

I, Bradley J. Wechsler, Co- Chief Executive Officer of IMAX Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant, IMAX Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

   (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2004

By: "Bradley J. Wechsler"
Name: Bradley J. Wechsler
Title Co-Chief Executive Officer

IMAX CORPORATION
Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES - OXLEY ACT OF 2002

I, Richard L. Gelfond, Co- Chief Executive Officer of IMAX Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant, IMAX Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

   (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2004

By: "Richard L. Gelfond"

Name: Richard L. Gelfond
Title Co-Chief Executive Officer

IMAX CORPORATION
Exhibit 31.3

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES - OXLEY ACT OF 2002

I, Francis T. Joyce, Chief Financial Officer of IMAX Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant, IMAX Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

   (c) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2004

By: "Francis T. Joyce"

Name: Francis T. Joyce
Title Chief Financial Officer

IMAX CORPORATION
Exhibit 32.1

CERTIFICATIONS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Bradley J. Wechsler, Co-Chief Executive Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2004

"Bradley J. Wechsler"

Bradley J. Wechsler
Co-Chief Executive Officer

IMAX CORPORATION
Exhibit 32.2

CERTIFICATIONS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Richard L. Gelfond, Co-Chief Executive Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2004

"Richard L. Gelfond"

Richard L. Gelfond
Co-Chief Executive Officer

IMAX CORPORATION
Exhibit 32.3

CERTIFICATIONS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Francis T. Joyce, Chief Financial Officer of IMAX Corporation, a Canadian corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 28, 2004

"Francis T. Joyce"

Francis T. Joyce
Chief Financial Officer