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

Form 10-Q

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

For the quarterly period ended September 30, 1999

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

Class	Outstanding as of October 31, 1999
Common stock, no par value	29,644,688

IMAX CORPORATION

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FORWARD LOOKING INFORMATION

Certain statements included herein may constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements may 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 its business and operations, plans and references to the future success of the Company and the known Year 2000 issues confronting the Company. 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; 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; the availability of personnel with required remediation skills, the ability of the Company to identify and correct all relevant computer code and the success of third parties with whom the Company does business in addressing their Year 2000 issues and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made herein are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

IMAX CORPORATION

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PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	

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

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

	September 30, 1999	December 31, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 52,673	$143,566
Short-term marketable securities	56,859	39,305
Accounts receivable	46,837	45,217
Current portion of net investment in leases	10,962	9,303
Inventories and systems under construction (note 3)	33,162	18,747
Prepaid expenses	5,743	3,766
Total current assets	206,236	259,904
Long-term marketable securities	37,459	20,070
Net investment in leases	84,809	79,124
Film assets	38,244	34,885
Capital assets	65,111	46,563
Goodwill (note 2)	54,483	38,129
Other assets	27,365	11,416
Total assets	$ 513,707	$490,091
Liabilities		
Current liabilities		
Accounts payable	$ 12,621	$ 9,882
Accrued liabilities	36,770	30,153
Current portion of deferred revenue	24,206	22,062
Income taxes payable	356	435
Total current liabilities	73,953	62,532
Deferred revenue	18,976	15,005
Senior notes	200,000	200,000
Convertible subordinated notes	100,000	100,000
Deferred income taxes	20,682	23,263
Total liabilities	413,611	400,800
Minority interest	6,053	4,845
Commitments and contingencies (notes 4 and 5)		
Subsequent event (note 8)		
Shareholders' equity		
Capital stock	56,771	55,236
Retained earnings	36,888	29,436
Other comprehensive items	384	(226)
Total shareholders' equity	94,043	84,446
Total liabilities and shareholders' equity	$ 513,707	$490,091

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

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

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Revenue				
Systems	$25,458	$35,793	$ 66,767	$ 93,047
Films	11,042	5,313	30,108	19,350
Other	5,953	3,293	16,579	11,692
	42,453	44,399	113,454	124,089
Costs and expenses	23,043	17,940	61,800	51,887
Gross margin	19,410	26,459	51,654	72,202
Loss from equity accounted investees	288	471	450	1,149
Selling, general and administrative expenses	8,602	7,790	24,860	25,686
Research and development	1,027	865	2,314	2,224
Amortization of intangibles	581	631	1,526	1,890
Earnings from operations	8,912	16,702	22,504	41,253
Interest income	2,281	1,044	7,550	3,448
Interest expense	(5,401)	(3,310)	(16,415)	(9,927)
Foreign exchange gain (loss)	403	(120)	616	(349)
Earnings before income taxes and minority interest	6,195	14,316	14,255	34,425
Provision for income taxes	(2,451)	(6,322)	(5,595)	(15,469)
Earnings before minority interest	3,744	7,994	8,660	18,956
Minority interest	(501)	(874)	(1,207)	(1,476)
Net earnings	$ 3,243	$ 7,120	$ 7,453	$ 17,480
Earnings per share (note 6)				
Basic	$0.11	$0.24	$0.25	$0.59
Diluted	$0.11	$0.23	$0.24	$0.57

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

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

	Nine months ended September 30, 1999	1998
Cash provided by (used in):		
Operating Activities		
Net earnings	$ 7,453	$ 17,480
Items not involving cash:		
Depreciation and amortization	17,330	11,430
Deferred income taxes	316	11,673
Loss from equity accounted investees	450	1,149
Minority interest	1,208	1,476
Other	(461)	205
Change in net investment in leases	(7,233)	(24,842)
Change in deferred revenue on film production	4,537	4,725
Changes in non-cash operating assets and liabilities	(8,941)	(11,925)
Net cash provided by operating activities	14,659	11,371
Investing Activities		
Purchase of Digital Projection International, net of cash acquired	(25,724)	-
Increase in marketable securities	(35,007)	(4,882)
Increase in film assets	(11,692)	(14,401)
Purchase of capital assets	(19,707)	(9,467)
Increase in other assets	(14,997)	(3,038)
Net cash used in investing activities	(107,127)	(31,788)
Financing Activities		
Class C preferred shares dividends paid	(365)	(386)
Common shares issued	1,535	1,472
Net cash provided by financing activities	1,170	1,086
Effect of exchange rate changes on cash	405	86
Decrease in cash and cash equivalents during the period	(90,893)	(19,245)
Cash and cash equivalents, beginning of period	143,566	64,069
Cash and cash equivalents, end of period	$ 52,673	$ 44,824

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

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

1. Basis of Presentation

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

These financial statements should be read in conjunction with the Company's most recent annual report on Form 10-K for the year ended December 31, 1998 which should be consulted for a summary of the significant accounting policies utilized by the Company.

2. Acquisition of Digital Projection International

On September 3, 1999, the Company acquired all of the common and preferred shares of Digital Projection International, ("DPI") a designer and manufacturer of digital image delivery systems with operations in Manchester, England and Atlanta, Georgia. The transaction has been accounted for as a purchase and the assets acquired and the liabilities assumed were recorded at their fair market values on September 3, 1999. The purchase price of approximately $27.2 million was paid with approximately $25.5 million of cash, $1.5 million in contingent escrow funds subject to a net asset adjustment, and restricted shares of the Corporation, valued at approximately $1.7 million, to be issued to former shareholders of DPI over the next five years.

The excess of the purchase price over the book value of the assets acquired has been allocated to assets and liabilities to record them at their estimated fair values at September 3, 1999 as follows:

Cash	$ 1,526
Accounts receivable	3,875
Inventory	6,771
Capital assets	3,056
Other assets	4,000
Accounts payable and accrued liabilities	(11,104)
Deferred income tax	1,714
Goodwill	17,412
	$ 27,250

3. Inventories and Systems Under Construction

	September 30, 1999	December 31, 1998
Raw materials	$15,342	$ 7,555
Work-in-process	12,164	10,686
Finished goods	5,656	506
	$33,162	$18,747

4. Financial Instruments

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

To fund Canadian dollar costs in 1999 and 2000, the Company had entered into forward exchange contracts as at September 30, 1999 to hedge the conversion of $26 million of its cash flow into Canadian dollars at an average exchange rate of Canadian $1.46 per U.S. dollar. The company recognizes exchange gains or losses on the forward contracts when the contracts mature.

The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 110 million Yen at 98 Yen per U.S. dollar through September 2004 and on 13.5 million Francs at 5.1 Francs per U.S. dollar through September 2005.

These hedging contracts are expected to be held to maturity; however, if they were terminated on September 30, 1999, the Company would have realized a gain of approximately $0.1 million based on the then prevailing exchange rates.

The Company entered into an interest rate swap transaction in May 1999 for a term commencing June 1, 1999 and terminating on December 1, 2002. The Company has agreed to pay a floating rate of LIBOR plus 1.49% to June 1, 2000 and LIBOR plus 2.09% for the remainder of the term and the counterparty has agreed to pay a fixed rate of 7.875% on notional principal of $65 million. The floating rate is revised every 1st of December, March, June and September. The counterparty may cancel the remaining payments on the swap transaction prior to May 31, 2000 with no early termination cost to either party. The Company adjusts interest expense over each 3-month period for the net amount it is to receive from or pay to the counterparty. The interest rate swap is expected to be held to maturity; however, if it were terminated by the Company on September 30, 1999, the Company would have realized a loss of approximately $0.9 million based on the then prevailing interest rates.

5. Contingencies

In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. The plaintiffs claimed damages of Canadian $4.6 million, together with expenses and pre-judgment interest. Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was sued in an unrelated action to which the Company was not a party and, in February 1996, was found liable to pay damages in the amount of Canadian $2.5 million.

Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim such amount from the Company. In a decision rendered in April 1998, the Court dismissed the plaintiffs' claims with costs. In May 1998, Compagnie France Film Inc. and 3101 both filed appeals to the Court of Appeal. The Company believes that it will be successful in responding to these appeals and the ultimate loss, if any, will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

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

5. Contingencies (continued)

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

6. Earnings Per Share

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

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Net earnings available to common Shareholders:				
Net earnings	$ 3,243	$ 7,120	$ 7,453	$17,480
Less:				
Accrual of dividends on preferred shares	-	(43)	-	(128)
Accretion of discount of preferred shares	-	(46)	-	(135)
Net earnings used in computing basic earnings per share	3,243	7,031	7,453	17,217
Interest expense on Convertible Subordinated Notes, net of tax	-	885	-	1,769
Net earnings used in computing diluted Earnings per share	$ 3,243	$ 7,916	$ 7,453	$18,986

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
Weighted average number of common shares (000's):				
Issued and outstanding at beginning of period	29,614	29,280	29,478	29,115
Weighted average shares issued in the period	17	23	120	131
Weighted average used in computing basic Earnings per share	29,631	29,303	29,598	29,246
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	830	1,031	835	1,156
Assumed conversion of Convertible Subordinated Notes	-	4,672	-	3,115
Weighted average used in computing diluted Earnings per share	30,461	35,006	30,433	33,517

6.

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

Earnings Per Share (continued)

Common shares potentially issuable pursuant to the Convertible Subordinated Notes were excluded from the computations for the three months and nine months ended September 30, 1999 and the three months ended March 31, 1998 as they would have had an antidilutive effect on earnings per share.

7. Segmented Information

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the Company's most recent annual report on Form 10-K for the year ended December 31, 1998. Intersegment transactions are not significant.

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Revenue				
Systems	25,458	$35,793	$ 66,767	$ 93,047
Films	11,042	5,313	30,108	19,350
Other	5,953	3,293	16,579	11,692
Total consolidated revenues	$ 42,453	$44,399	$113,454	$124,089

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Earnings (loss) from operations				
Systems	$13,629	$19,387	$ 34,692	$ 53,026
Films	123	147	(358)	1,083
Other	(1,030)	786	(1,149)	676
Corporate overhead	(3,810)	(3,618)	(10,681)	(13,532)
Consolidated earnings from operations	$ 8,912	$16,702	$ 22,504	$ 41,253

8. Subsequent Event

On October 5, 1999, the Company announced it had acquired the remaining 49% interest in Sonics Associates Inc. ("Sonics"), the exclusive provider of sound systems for the Company's theater systems, from Sonics' management, who will continue as the senior management of this 100% owned subsidiary. The purchase price was $12 million in cash paid on October 5, 1999 plus a deferred payment of $0.7 million be paid in cash no later than December 31, 1999. The purchase price also contains an additional earn out amount to the original shareholders payable over the period 2000 to 2004 which is contingent on Sonics' level of earnings over that period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Theater Signings and Backlog

During the third quarter of 1999, the Company signed contracts for 9 IMAX theater systems valued at $28.9 million. The Company's sales backlog grew to $218.8 million at September 30, 1999, a 4% increase from $209.7 million at June 30, 1999 and a 25% increase from $175.8 million at December 31, 1998.

The Company's sales backlog at September 30, 1999 represented contracts for 85 theater systems, including seven systems which will be located at theaters in which the Company will have an equity interest and the upgrade of one existing theater to Imax 3D. The Company's sales backlog will vary from quarter to quarter depending on the signing of new systems which adds to backlog and the delivery of systems which reduces backlog. Sales backlog represents the minimum revenues under signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. The minimum revenue comprises the upfront fees plus the present value of the minimum royalties due under sales-type lease agreements for the first 10 years of the initial lease term. The value of sales backlog does not include revenues from theaters in which the Company has an equity interest, letters of intent, or long-term conditional theater commitments.

Three months ended September 30, 1999 versus three months ended September 30, 1998

The Company reported net earnings of $3.2 million or $0.11 per share on a diluted basis for the third quarter of 1999 compared to $7.1 million or $0.23 per share on a diluted basis for the third quarter of 1998.

The Company's revenues in the third quarter of 1999 were $42.5 million compared to $44.4 million in the corresponding quarter last year. The 4% decline was due mainly to a decline in systems revenue which more than offset increases in film and other revenues.

Systems revenue, which includes revenue from theater system sales and leases, royalties and maintenance fees, decreased approximately 29% to $25.5 million in the third quarter of 1999 from $35.8 million in the same quarter last year. The Company delivered seven theater systems in the third quarter of 1999, including two system upgrades, versus nine theater systems in the third quarter of 1998. Recurring revenues from royalties and maintenance fees increased approximately 15% in the third quarter over the corresponding period last year as a result of growth in the Imax theater network.

Film revenue increased 108% to $11.0 million in the third quarter of 1999 from $5.3 million in the same quarter last year. The increase was due to an increase in film post-production activity and an increase in film distribution revenues, due mainly to the strong performance of the Company's film T-REX: Back to the Cretaceous which was released in the fourth quarter of 1998.

Other revenues increased 81% to $6.0 million in the third quarter of 1999 from $3.3 million in the same quarter last year. Other revenue in the third quarter of 1999 includes revenue of Digital Projection International ("DPI") a 100% owned subsidiary acquired in the current quarter. Revenues from owned and operated theaters increased in the third quarter compared to the same quarter last year due to three owned and operated theaters, two of which commenced operations in 1999 and one of which commenced operations late in the third quarter of 1998.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Three months ended September 30, 1999 versus three months ended September 30, 1998 (Cont'd)

Gross margin for the third quarter of 1999 was $19.4 million, or 46% of total revenue, compared to $26.5 million, or 60% of total revenue, in the corresponding quarter last year. The decline in gross margin as a percentage of total revenue is due to the lower proportion of systems revenue (which generally has a higher margin than film and other revenues) in the third quarter of 1999 compared to the corresponding quarter in 1998.

Selling, general and administrative expenses were $8.6 million in the third quarter of 1999 compared to $7.8 million in the corresponding quarter last year. The increase resulted from additional expenses from DPI, and general corporate costs.

Interest income increased to $2.3 million in the third quarter of 1999 from $1.0 million in the same quarter last year primarily due to an increase in the Company's cash and marketable securities balances following the Senior Notes offering in December, 1998.

Interest expense increased to $5.4 million in the third quarter of 1999 from $3.3 million in the corresponding quarter last year primarily as a result of the $200 million Senior Notes issued in December, 1998.

The effective tax rate on earnings before taxes differs from the statutory tax rate and will vary from quarter to quarter primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, and the provision of income taxes at different tax rates in foreign and other provincial jurisdictions. The effective tax rate in the third quarter of 1999 also benefited from an increase in tax credits associated with the Company's manufacturing activities compared to the corresponding quarter in 1998.

Nine months ended September 30, 1999 versus nine months ended September 30, 1998

The Company reported net earnings of $7.5 million or $0.24 per share on a diluted basis for the first nine months of 1999 compared to $17.5 million or $0.57 per share on a diluted basis for the first nine months of 1998.

The Company's revenues for the first nine months of 1999 were $113.5 million compared to $124.1 million in the corresponding period last year, a decrease of 9%. Increases in film and other revenue were more than offset by a decline in systems revenue.

Systems revenue decreased approximately 28% to $66.8 million in the first nine months of 1999 from $93.0 million in the same period last year. The Company delivered 17 theater systems compared to 25 theater systems in the same period last year. Recurring revenues from both royalties and maintenance fees increased approximately 11% in the first nine months of 1999 over the prior year period as a result of growth in the IMAX theater network.

Film revenue increased 56% to $30.1 million in the first nine months of 1999 from $19.4 million in the same period last year due to an increase in film distribution and post production revenues. Film distribution revenue increased 58% in the first nine months of 1999 compared to the same period last year primarily as a result of the strong performance of the Company's film, T-REX: Back to the Cretaceous which was released in the fourth quarter of 1998.

Other revenues increased 42% to $16.6 million in the nine months ended September 30, 1999 from $11.7 million in the same period last year as a result of an increase in the number of theaters in operation in which the Company has an equity interest, and revenue earned by DPI since its acquisition, partially offset by a decline in camera rental revenues.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

Nine months ended September 30, 1999 versus nine months ended September 30, 1998(Cont'd)

Gross margin for the first nine months of 1999 was $51.7 million or 46% of total revenue compared to $72.2 million or 58% of total revenue in the corresponding period last year. The decrease in gross margin as a percentage of total revenue is primarily due to the decreased proportion of systems revenue (which generally has a higher margin than film and other revenue) in the first nine months of 1999 compared to the corresponding period in 1998.

Selling, general and administrative expenses were $24.9 million in the first nine months of 1999 compared to $25.7 million in the first nine months of 1998. The decrease in selling, general and administrative expenses in 1999 over 1998 resulted from declines in executive compensation and legal costs, partially offset by increased affiliate relations initiatives.

Interest income increased to $7.5 million in the first nine months of 1999 from $3.4 million in the same period last year primarily due to an increase in the Company's cash and marketable securities balances following the $200 million Senior Notes offering in December, 1998.

Interest expense increased from $9.9 million in the first nine months of 1998 to $16.4 million in the first nine months of 1999 primarily as a result of the $200 million Senior Notes offering in December, 1998.

The effective tax rate on earnings before taxes differs from the statutory tax rate and will vary from quarter to quarter primarily as a result of the amortization of goodwill, which is not deductible for tax purposes, and the provision of income taxes at different tax rates in foreign and other provincial jurisdictions. The effective tax rate in the first nine months of 1999 also benefited from an increase in tax credits associated with the Company's manufacturing activities compared to the corresponding period in 1998.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1999, the Company's principal source of liquidity included cash and cash equivalents of $52.7 million, marketable securities totalling $94.3 million, trade accounts receivable of $46.8 million, net investment in leases due within one year of $11.0 million and the amounts receivable under contracts in backlog which are not yet reflected on the balance sheet. The Company also has unused lines of credit under a working Capital facility of $2.3 million.

The 7.875% Senior Notes due December 1, 2005 are subject to redemption by the Company, in whole or in part, at any time on or after December 1, 2002 at redemption prices expressed as percentages of the principal amount for each 12-month period commencing December 1 of the years indicated: 2002 - 103.938%; 2003 - - 101.969%; 2004 and thereafter - 100.000% together with interest accrued thereon to the redemption date and are subject to redemption by the Company prior to December 1, 2002 at a redemption price equal to 100% of the principal amount plus a "make whole premium". If certain changes result in the imposition of withholding taxes under Canadian law, the notes may be redeemed by the Company at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption. In the event of a change in control, holders of the notes may require the Company to repurchase all or part of the notes at a price equal to 101% of the principal amount plus accrued interest to the date of repurchase.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Cont'd)

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

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

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

In the first nine months of 1999, cash provided by operating activities amounted to $14.7 million after the payment of interest on the Senior and Convertible Notes totaling $10.6 million and working capital requirements. Working capital requirements included an increase of $8.2 million in inventory due mainly to an increase in raw materials and work-in-process inventory anticipated for completion and delivery of systems later in the year and in early 2000. Cash flow from operations also includes an increase of $4.5 million in funds held for sponsored film productions, which will be expended in future periods.

In the first nine months of 1999, cash used in investing activities amounted to $107.1 million and included: an increase in marketable securities of $35.0 million, the purchase of DPI net of acquired cash of $25.7 million, an increase in film assets of $11.7 million, primarily Galapagos, Siegfried & Roy and Cyberworld; an increase in capital assets of $19.7 million, primarily theaters in which the Company has an equity interest; and an increase of $15.0 million in other assets, primarily as a result of the acquisition of a 19% equity interest plus an $8 million CDN convertible debenture in Mainframe Entertainment Inc., a leading producer of 3D computer generated animation.

During the first nine months of 1999, cash provided by financing activities included $1.5 million of proceeds from common shares issued under the Company's stock option plan.

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

IMPACT OF THE YEAR 2000

The Year 2000 issue involves computer programs and embedded chips, which use two digit date fields, failing or creating errors as a result of the change in the century.

Background and Process

In order to assess the likely impact of the Year 2000 issue on its operations, the Company established a Year 2000 Committee in 1998, consisting of senior managers and reporting to the Chief Operating Officer, and designated a manager or coordinator in each department. The Company also retained external consultants who developed a Year 2000 project plan and conducted awareness sessions for the Company's staff.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

IMPACT OF THE YEAR 2000 (Cont'd)

As part of the Year 2000 project plan beginning in 1998, the Company's Internal Audit department, in conjunction with the Year 2000 Committee, distributed an asset inventory questionnaire and business partner questionnaire within the Company, and a key vendor questionnaire externally to identify and inventory likely areas of concern.

Assessment and Action Taken

The Internal Audit department and the Year 2000 Committee reviewed the responses to these questionnaires and assessed the areas of risk under the following categories: information technology systems, non-information technology systems, facilities, and third party suppliers.

The Internal Audit department and the Year 2000 Committee determined that the Company's information technology at risk were its cost accounting and financial software systems. Accordingly, the cost accounting and financial software systems were upgraded in the first quarter of 1999, which upgrades have been certified as Year 2000 ready by the vendors.

Digital Projection International's accounting and production systems have been certified as Year 2000 ready by the vendors.

For non-information technology systems, the Company evaluated the projection system and concluded that the performance of the projection system would not be negatively impacted by the change in the century.

With respect to the sound systems used in connection with the projection system, the systems supplier Sonics, a subsidiary, has been evaluating each of the subsystems of the sound system. Sonics has advised the Company that the current standard sound system hardware would not be negatively impacted by Year 2000 risks. Sonics also evaluated the proprietary software elements incorporated into sound system software and has advised the Company that they, too, would not be negatively impacted by the change in the century. Sonics has advised the Company that it has verified that the manufacturer of each "off-the-shelf" utility software element, also incorporated into the sound system software, had tested and certified its product as Year 2000 ready.

Sonics has completed testing of the automation subsystems incorporated in their sound systems in all but four theaters which will be tested by the end of the year. The testing to date indicates that the automation subsystems would not be negatively impacted by the change in the century. If there is a failure in an automation subsystem to be Year 2000 ready, this failure would impact on the ability of a theater to present pre-show material but would not affect the theater's ability to present a 15/70-format film.

Digital Projection International has evaluated its product line and concluded that the product line would not be negatively impacted by the change in the century.

The Internal Audit department and the Year 2000 Committee determined that the Company's facilities that could be at risk include each of the Company's office premises. The Company has contacted utility suppliers to determine their Year 2000 readiness. The Company is reviewing and assessing responses from its utility suppliers. Such process is largely completed. With respect to third party risks, the Company is continuing to review and assess the responses to the key vendor questionnaires and following up with those key vendors who have not yet responded. Based upon its efforts and assessment to date, the Company believes that its information technology systems and non-information technology systems will remain operational during the Year 2000 transition process and that facilities will be largely unaffected subject to third party compliance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Cont'd)

IMPACT OF THE YEAR 2000 (Cont'd)

Cost

The cost of the Company's Year 2000 efforts are not expected to be material nor have a material effect on the Company's financial position. The Company is not separately tracking the internal cost for its Year 2000 review activities.

Contingency Plans

Based on the Company's current review of its Year 2000 readiness, the Company does not anticipate the need for significant contingency planning for its information technology systems or non-information technology systems. The Company is, however, making plans to have additional customer service representatives available to handle inquiries or concerns from the Company's customers during the first few weeks of Year 2000. The Company is in the process of identifying alternate vendors of components for the projection system in the event that any key vendor fails to be Year 2000 ready. The Company's few sole source vendors of components for the projection system have indicated to the Company that they are Year 2000 ready. Sonics has pre-ordered sufficient quantities of key sound system components to meet the Company's scheduled deliverables in the first quarter of Year 2000. The Company is prioritizing its key utility suppliers and assessing the need and extent of a contingency plan for its facilities. The Company will continue to assess the need for additional contingency plans.

No assurance can be given that the Company will not be materially adversely affected by Year 2000 issues. Although the Company is not currently aware of any material operational issues with preparing its information technology systems, non-information technology systems and facilities for the Year 2000, the Company may experience material unanticipated problems and costs caused by undetected errors or defects. In addition, the failure of third parties to timely address their Year 2000 issues could have a material adverse impact on the Company's business, operations and financial condition. If, for example, third party suppliers of utilities and other commercial products and services experience interruptions in services as a result of Year 2000 issues, the Company's operations could be adversely affected.

The impact of the Year 2000 issue on the Company has been disclosed consistently with the above to those customers of the Company who have requested such disclosure.

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

A substantial portion of the Company's cash equivalents earn interest at short-term floating rates while all of its long-term debt incurs interest at long-term fixed rates. The Company entered into an interest rate swap to hedge this exposure.

Contract amounts, average contractual exchange rates, terms and fair values for the Company's financial instruments are disclosed in Note 4 to the Condensed Consolidated Financial Statements contained in Item 1.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3.1 Articles of Amendment dated June 7, 1999, to the Restated Articles of Incorporation of Imax Corporation.

3.2 New By-Law No 1. of Imax Corporation, enacted on June 7, 1999.

10.1 (Amended) Stock Option Plan of Imax Corporation, dated June 7, 1999.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K dated September 17, 1999 will file an amendment on November 15, 1999 under Item 2 - Acquisition or Distribution of Assets. The Company reported that on September 3, 1999, it acquired all of the outstanding Ordinary Shares and Preference Shares of Digital Projection International ("DPI"), a designer and manufacturer of digital image delivery systems headquartered in Manchester, England with an office in Atlanta, Georgia.

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: November 15, 1999

By: / S / John M. Davison

John M. Davison
Chief Operating Officer and
Chief Financial Officer
(Principal Financial Officer)

By: / S / Mark J. Thornley

Mark J. Thornley
Vice President, Finance
(Principal Accounting Officer)

Exhibit 3.1

SCHEDULE I

IMAX CORPORATION

ARTICLES OF AMENDMENT

The Articles of Incorporation of the Corporation be amended by deleting Schedule 2 thereof and replacing that schedule with the following:

SCHEDULE 2

1. The number of directors of the Corporation at anytime shall be such number within the minimum and maximum number of directors set forth in the articles of the Corporation as is determined from time to time by resolution of the directors in light of the Corporation's contractual obligations in effect from time to time.

2. Subject to the Act and Corporation's contractual obligations then in effect, the directors may fill any vacancies among the directors, whether arising due to an increase in the number of directors within the minimum and maximum number of directors set forth in the articles of the Corporation or otherwise.

3. The directors shall be divided into three classes, with one-third of the directors to be elected for a term of one year, one-third for a term of two years and one-third for a term of three years, so that the term of office of one-third of the directors shall expire each year. At each election of directors after the effective date hereof to elect directors whose terms have expired, directors shall be elected for a term of three years. In any election or appointment of a director to fill a vacancy created by any director ceasing to hold office, the election or appointment shall be for the unexpired term of the director who has ceased to hold office. If the number of directors is changed, any increase or decrease shall be apportioned among the classes of directors in such a manner as will maintain or attain, to the extent possible, an equal number of directors in each class of directors. If such equality is not possible, the increase or decrease shall be apportioned among the classes of directors in such a manner that the difference in the number of directors in any two classes shall not exceed one.

4. If at any time or from time to time any single shareholder, together with each "affiliate" "controlled" by that shareholder (as such terms are defined in Rule 12b-2 under the Securities and Exchange Act of 1934 (United States)

(the "Exchange Act") or any group of which they are members, "beneficially owns" (as such term is defined pursuant to Section 13(d) of the Exchange Act) not less than twelve and one-half per cent (12.5%) of the common shares issued and outstanding at that time, then for as long as that condition continues, in order for any resolution of the directors on any of the following matters to be approved by the directors, such resolution must be approved by a seventy-five per cent (75%) majority of the directors then in office:

a. Hiring or terminating the employment of the chief executive officer or any co-chief executive officer of the Corporation;

b. Issuing any shares of capital stock for a purchase price, or incurring indebtedness, in an amount of US$25 million or more;

c. Disposing of any material single asset, or all or substantially all of the assets of the Corporation or approving the sale or merger of the Corporation;

d. Acquiring a substantial interest in any other entity or entering into any major strategic alliance; and

e. Entering into or changing the terms of any agreement or transaction with Wasserstein Perella Partners, L.P., Wasserstein Perella Offshore Partners, L.P., WPPN Inc., Richard L. Gelfond or Bradley J. Wechsler (other than agreements in the ordinary course of business, such as employment agreements)."

Exhibit 3.2

Imax Corporation

General By-Law No. 1

June 1999

Imax Corporation

BY-LAW NO. 1

A by-law regulating generally the transaction of the business and affairs of Imax Corporation.

Section 1

INTERPRETATION

1.1 Definitions. In this by-law, which may be cited as the General By-law, unless the context otherwise requires:

"Act" means the Canada Business Corporations Act, R.S.C. 1985, C. 44 and any statute that may be substituted therefor, as from time to time amended;

"Articles" includes the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival of the Corporation;

"Board" means the Board of Directors of the Corporation;

"Corporation" means Imax Corporation;

"meeting of shareholders" means any meeting of shareholders including an annual meeting and a special meeting;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the Interpretation Act (Canada);

"recorded address" means in the case of a shareholder his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are two or more; and in the case of a director, officer or auditor, his latest address as recorded in the records of the Corporation.

1.2 Construction. Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, associations, trusts, executors, administrators, legal representatives, and unincorporated organizations and any number or aggregate of persons.

Section 2

MEETINGS OF SHAREHOLDERS

2.1 Meetings of Shareholders. The annual meeting of shareholders shall be held in each year on a date to be determined by the Board. The Board, one of the Co-Chairmen or the Chairman if there is only one, a Vice-Chairman, one of the Co-Chief Executive Officers, or the Chief Executive Officer if there is only one, may call a special meeting of shareholders, at any time, provided however, that the Non-Executive Chairman and one of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one shall have approved the date, time and agenda for such meeting.

2.2 Chairman, Secretary and Scrutineers. The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers who is present at the meeting: one of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one, one of the Co-Chairmen or the Chairman if there is only one, a Vice-Chairman or a Vice-President who is a director of the Corporation. If no such officer is present within fifteen minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to act as chairman. The secretary of any meeting of shareholders shall be the Secretary of the Corporation. If the Secretary is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. The chairman may appoint one or more persons who need not be shareholders to act as scrutineers at the meeting.

2.3 Persons Entitled to be Present. The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors, the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the Articles to be present. Any other person may be admitted with the consent of the meeting or of the chairman of the meeting.

2.4 Quorum. Except as otherwise provided in the Articles, a quorum for the transaction of business at any meeting of shareholders shall be at least two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for such a shareholder and together holding or representing by proxy not less than 33-1/3% of the outstanding shares of the Corporation entitled to be voted at the meeting.

Section 3

DIRECTORS

3.1 Number of Directors; Filling Vacancies. Subject to the Act and the Articles and the contractual obligations of the Corporation then in effect, the number of directors of the Corporation may be fixed from time to time by resolution of the Board, and any vacancies on the Board, whether arising due to an increase in the number of directors or otherwise, may be filled by the Board.

3.2 Term of Office. Subject to Section 3.3 hereof, each director shall be elected for a term as provided in the Articles.

3.3 Qualification of Directors. In addition to the disqualifications provided for in the Act, a director who is a salaried officer of the Corporation other than any of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one, any of the Co-Chairmen or the Chairman if there is only one, or a Vice-Chairman, shall cease to hold office as a director when he ceases to be a salaried officer of the Corporation.

3.4 Quorum. A majority of the directors holding office at any particular time shall constitute a quorum of the Board.

3.5 Meeting Following Annual Meeting. The Board shall meet without notice as soon as practicable after each annual meeting of shareholders to transact such business as may come before the meeting and to appoint by election:

(1) the Non-Executive Chairman;
(2) the Chairman or one or more Co-Chairmen;
(3) one or more Vice-Chairmen;
(4) the Chief Executive Officer or one or more Co-Chief Executive Officers;
(5) the Secretary;
(6) one or more Vice-Presidents; and
(7) such other officers as the Board chooses to appoint.

Each of the officers appointed by the Board, whether at the meeting of the Board after the annual meeting of shareholders or at any other meeting shall perform such duties and have such powers as are customarily performed and held by such officers, subject to any limitations or specific duties required to be performed or specific powers bestowed by the Board from time to time.

3.6 Other Meetings of the Board. Meetings of the board shall be held from time to time at a date, time and place determined by a Co-Chairman, the Chairman if there is only one, a Vice-Chairman or a majority of the directors, provided however, that other than for regular quarterly meetings of the board and the meeting following the annual meeting of shareholders, the Non-Executive Chairman and one of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one shall have approved the date, time and agenda for such meeting.

3.7 Notice of Meeting. Notice of the time and place of each meeting of the Board requiring notice shall be given to each director not less than two days (excluding non-business days) before the date on which the meeting is to be held.

3.8 Chairman. The chairman of any meeting of the Board shall be the first mentioned of such of the following officers who is present at the meeting: one of the Co-Chairmen or the Chairman if there is only one, one of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one, a Vice-Chairman or a Vice-President who is a director of the Corporation. If no such officer is present, the directors present shall choose one of their number to act as chairman.

3.9 Votes to Govern. Subject to the Articles, this by-law and the Corporation's contractual obligations then in effect, at all meetings of the Board, every question shall be decided by a majority of the votes cast. The chairman of any meeting may vote as a director and, in the event of an equality of votes, the chairman shall not be entitled to a second or casting vote.

3.10 Remuneration. No director who is a salaried officer of the Corporation shall be entitled to any remuneration for the performance of his duties as a director. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

3.11 Interest of Directors and Officers Generally in Contracts. No director or officer shall be disqualified by his office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Act.

Section 4

COMMITTEES

4.1 Committees. The Board shall, in light of the Corporation's contractual obligations in effect from time to time, appoint annually members of an Audit Committee, a Compensation Committee and a Nominating Committee and such additional committees as it deems necessary and, subject to the Act, delegate to the committees such powers of the Board and assign to the committees such duties, as the Board considers appropriate.

4.2 Composition of Committees. To the extent required by regulatory requirements applicable to the Corporation, at least a majority of the members of the Audit and Compensation Committees shall be directors who are independent directors for the purposes of such regulatory requirements applicable to the Corporation. Subject to the foregoing, the composition of each committee shall have been proposed to the Board by the Non-Executive Chairman and one of the Co-Chief Executive Officers or the Chief Executive Officer if there is only one.

4.3 Operation of Committees. In the case of each committee, a majority of members holding office at any particular time shall constitute a quorum for the transaction of business at that time. The Board shall appoint a chairman of each committee. Each committee shall meet at the call of its chairman, on not less than two days (excluding non-business days) notice to each member of the committee prior to the date on which the meeting is to be held. All acts or proceedings of any committee shall be reported to the Board at or before the next meeting thereof.

Section 5

THE TRANSACTION OF BUSINESS

5.1 Execution of Instruments. Contracts, documents or instruments in writing requiring execution by the Corporation shall be signed by any two officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities and all paper writings.

5.2 Banking Arrangements. The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.

Section 6

DIVIDENDS

6.1 Dividends. The Board may from time to time declare dividends payable to shareholders according to their respective rights.

6.2 Dividend Payment. A dividend payable in money may be paid by cheque drawn on the Corporation's bankers, or one of them, to the order of each registered holder of shares of a class or series in respect of which the dividend has been declared, and mailed by prepaid ordinary mail to such registered holder at his recorded address. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The Corporation may pay a dividend by cheque to a registered holder or to joint holders other than in the manner herein set out, if the registered holder or joint holders so request.

6.3 Idem. The Corporation may, when so directed by a registered holder of a share in respect of which a dividend in money has been declared, pay the dividend in the manner so directed.

6.4 Non-receipt or Loss of Dividend Cheques. In the event of non-receipt or loss of any dividend cheque by the person to whom it is sent, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt or loss and of entitlement as the Board or the Vice-President in charge of finance may from time to time prescribe, whether generally or in a particular case.

Section 7

PROTECTION OF DIRECTORS AND OFFICERS

7.1 Indemnification of Directors and Officers. The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives to the extent permitted by the Act.

7.2 Indemnity of Others. Except as otherwise required by the Act and subject to paragraph 7.1, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his conduct was lawful.

7.3 Right of Indemnity Not Exclusive. The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in his official capacity and as to action in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.

7.4 No Liability of Directors or Officers for Certain Matters. To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

Section 8

MISCELLANEOUS

8.1 Omissions and Errors. The accidental omission to give any notice to any shareholder, officer or auditor or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting to which the notice related.

8.2 Persons Entitled by Death or Operation of Law. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, becomes entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register.

8.3 Waiver of Notice. A shareholder, proxyholder, director, officer or auditor may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the Articles or otherwise and such waiver or abridgment, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default or defect in the giving or in the time of such notice, as the case may be. Any such waiver or abridgment shall be in writing except a waiver of notice of a meeting of shareholders or of the Board or of a committee of the Board which may be given in any manner.

8.4 Invalidity of any Provisions of this By-law. The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

Section 9

REPEAL

9.1 Repeal. By-law No. 1 of the Corporation adopted and confirmed by the shareholders of the Corporation on March1, 1994 is repealed on the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law of the Corporation or its predecessors or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to such by-law prior to its repeal. All officers and persons acting under the by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Act until their successors are appointed.

June 1999

Exhibit 10.1

Imax Corporation

Stock Option Plan

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

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

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

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

(i) "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).

(j) "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.

(k) "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.

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

(m) "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.

(n) "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.

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

(p) "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.

(q) "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 7,710,836 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.

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9. 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.

10. 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.

11. 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.

12. 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.

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13. 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.

14. 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.

15. 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.

16. Effective Date

The Plan shall be effective as of June 7, 1999.

17. Governing Law

June 7, 1999

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.

June 7, 1999