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 June 30, 2005

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 July 15, 2005
Common stock, no par value	39,953,499

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)

	JUNE 30, 2005 (UNAUDITED)	DECEMBER 31, 2004
ASSETS		
Cash and cash equivalents	$ 18,825	$ 28,964
Short-term investments	15,143	--
Accounts receivable, net of allowance for doubtful accounts of $8,498 (2004 - $8,390)	21,790	19,899
Financing receivables (note 3)	60,060	59,492
Inventories (note 4)	30,655	29,001
Prepaid expenses	2,934	2,279
Film assets	2,644	871
Fixed assets	27,843	28,712
Other assets	12,441	13,377
Deferred income taxes (note 12)	6,454	6,171
Goodwill	39,027	39,027
Other intangible assets	3,033	3,060
Total assets	$ 240,849	$ 230,853
LIABILITIES		
Accounts payable	$ 6,491	$ 5,827
Accrued liabilities (note 8(c))	55,725	56,897
Deferred revenue	56,501	50,505
Senior Notes due 2010 (note 5)	160,000	160,000
Total liabilities	278,717	273,229
COMMITMENTS AND CONTINGENCIES (notes 8 and 9)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Capital stock - Common shares - no par value. Authorized - unlimited number. Issued and outstanding - 39,915,985 (2004 - 39,446,964)	119,846	116,281
Other equity	1,863	3,227
Deficit	(158,638)	(160,945)
Accumulated other comprehensive income (loss)	(939)	(939)
Total shareholders' deficit	(37,868)	(42,376)
Total liabilities and shareholders' equity (deficit)	$ 240,849	$ 230,853

(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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
REVENUE				
IMAX systems (note 10(a))	$20,308	$20,482	$42,421	$36,502
Films	5,301	6,600	10,248	11,089
Theater operations	4,198	3,771	8,014	7,513
Other	1,071	895	1,563	1,524
	30,878	31,748	62,246	56,628
COSTS OF GOODS AND SERVICES	15,009	17,139	30,232	29,657
GROSS MARGIN	15,869	14,609	32,014	26,971
Selling, general and administrative expenses (note 10(b))	9,812	8,620	20,055	16,954
Research and development	886	870	1,539	2,015
Amortization of intangibles	160	154	317	305
Receivable provisions, net of (recoveries) (note 11)	(370)	(69)	(158)	(967)
EARNINGS FROM OPERATIONS	5,381	5,034	10,261	8,664
Interest income	284	98	498	225
Interest expense	(4,202)	(4,120)	(8,399)	(8,189)
Loss on retirement of notes (note 6)	--	--	--	(784)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,463	1,012	2,360	(84)
Recovery of (provision for) income taxes (note 12)	(538)	340	(479)	340
NET EARNINGS FROM CONTINUING OPERATIONS	925	1,352	1,881	256
Net earnings from discontinued operations (note 15)	186	200	426	400
NET EARNINGS	$ 1,111	$ 1,552	$ 2,307	$ 656
EARNINGS PER SHARE (note 13):				
Earnings per share - basic and diluted:				
Net earnings from continuing operations	$ 0.02	$ 0.03	$ 0.05	$ 0.01
Net earnings from discontinued operations	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Net earnings	$ 0.03	$ 0.04	$ 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)

	SIX MONTHS ENDED JUNE 30, 2005	2004
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	$ 2,307	$ 656
Net (earnings) from discontinued operations	(426)	(400)
Items not involving cash:		
Depreciation and amortization	7,249	6,556
Write-downs (recoveries)	(158)	(967)
Change in deferred income taxes	(283)	(867)
Loss on retirement of notes	--	784
Stock and other non-cash compensation	2,406	1,377
Non-cash foreign exchange loss	515	324
Premium on repayment of notes	--	(576)
Investment in film assets	(4,795)	(1,416)
Changes in restricted cash	--	4,961
Changes in other non-cash operating assets and liabilities	(3,057)	(9,904)
Net cash provided by operating activities	3,758	528
INVESTING ACTIVITIES		
Increase in short-term investments	(15,143)	--
Purchase of fixed assets	(467)	(589)
Increase in other assets	(375)	(684)
Increase in other intangible assets	(290)	(176)
Net cash used in investing activities	(16,275)	(1,449)
FINANCING ACTIVITIES		
Repayment of Old Senior Notes due 2005	--	(29,234)
Financing costs related to Senior Notes due 2010	--	(564)
Common shares issued	2,052	43
Net cash provided by financing activities from discontinued operations	236	400
Net cash provided by (used in) financing activities	2,288	(29,355)
Effects of exchange rate changes on cash	90	(55)
DECREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(10,375)	(30,731)
Increase in cash and cash equivalents from discontinued operations	236	400
DECREASE IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(10,139)	(30,331)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,964	47,282
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 18,825	$ 16,951

(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 financial statements included in the Company's most recent annual report on Form 10-K for the year ended December 31, 2004 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, 2004. During the first quarter of 2005, the Company purchased short-term investments. These investments are classified as held to maturity based on the Company's positive intent and ability to hold the securities to maturity, and are carried at amortized cost.

EMPLOYEE STOCK-BASED COMPENSATION

The Company currently follows the intrinsic value method of accounting for employee stock options as prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees", ("APB 25"). If the fair value methodology prescribed by FASB Statement, "Accounting for Stock Based Compensation" ("FAS 123") had been adopted by the Company, pro forma results for the three and six months ended June 30, would have been as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net earnings as reported	$1,111	$ 1,552	$ 2,307	$ 656
Stock based compensation expense, if the methodology prescribed by FAS 123 had been adopted	(824)	(1,768)	(1,524)	(3,362)
Adjusted net earnings (loss)	$ 287	$ (216)	$ 783	$(2,706)
Earnings per share - basic and diluted:				
Net earnings as reported	$ 0.03	$ 0.04	$ 0.06	$ 0.02
FAS 123 stock based compensation expense	(0.02)	(0.05)	(0.04)	(0.09)
Adjusted net earnings (loss)	$ 0.01	$ (0.01)	$ 0.02	$ (0.07)

In accordance with FAS 123, the total expense reflected in the above pro forma charge 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.

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

1. BASIS OF PRESENTATION (cont'd)

EMPLOYEE STOCK-BASED COMPENSATION (cont'd)

The weighted average fair value of common share options granted to employees for the three and six months ended June 30, 2005 at the time of grant was $2.85 for both periods (2004 - $2.06 and $2.07 per share). The Company uses a Binomial option-pricing model to determine the fair value of common share options at the grant date. For the three and six months ended June 30, the following assumptions were used:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Average risk-free interest rate	4.15%	4.87%	4.15%	4.86%
Equity risk premium	5.57% - 7.38%	3.82% - 4.21%	5.57% - 7.38%	3.82% - 5.53%
Beta	1.06 - 1.31	0.96 - 1.03	1.06 - 1.31	0.95 - 1.03
Expected option life (in years)	2.23 - 5.23	2.57 - 5.34	2.23 - 5.23	2.57 - 5.34
Average expected volatility	62%	62%	62%	62%
Annual termination probability	8.06%	8.06% - 9.62%	8.06%	8.06% - 9.62%
Dividend yield	0%	0%	0%	0%

2. VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Financial Interpretation 46 ("FIN 46"), "Consolidation of Variable Interest Entities ("VIEs"), in an effort to expand and clarify existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. FIN 46 was effective immediately for all enterprises with variable interests in VIEs created after January 31, 2003 and on January 1, 2004 for all previously existing variable interest entities. Under FIN 46, if an entity is determined to be a variable interest entity, it must be consolidated by the enterprise that absorbs the majority of the entity's expected losses if they occur, receives a majority of the entity's expected residual returns if they occur, or both. On December 24, 2003, the FASB issued a revised FIN 46, defined as FIN 46R. Commencing January 1, 2004, the Company was required to consolidate the accounts of all VIEs for which it is the primary beneficiary ("PB"), as required by FIN 46R. 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 certain of its film production companies are VIEs. Since in one case 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 as the production company has total assets of $nil and total liabilities of $nil as at June 30, 2005. The Company also has interests in three other film production companies which are VIEs, however the Company did not consolidate these film entities since it does not bear the majority of the expected losses or expected residual returns. As of June 30, 2005, these three VIEs have total assets of $0.3 million and total liabilities of $0.3 million.

(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:

	JUNE 30, 2005	DECEMBER 31, 2004
NET INVESTMENT IN LEASES		
Gross minimum lease amounts receivable	$ 95,529	$ 98,666
Residual value of equipment	645	637
Unearned finance income	(37,713)	(39,844)
Present value of minimum lease amounts receivable	58,461	59,459
Accumulated allowance for uncollectible amounts	(3,467)	(4,435)
Net investment in leases	54,994	55,024
Long-term receivables	5,066	4,468
Total financing receivables	$ 60,060	$ 59,492

4. INVENTORIES

	JUNE 30, 2005	DECEMBER 31, 2004
Raw materials	$ 8,698	$ 7,375
Work-in-process	8,355	6,512
Finished goods	13,602	15,114
	$30,655	$29,001

5. SENIOR NOTES DUE 2010

In November 2004, the Company completed an exchange offer wherein $159.0 million of the Company's 9.625% senior notes due December 1, 2010 (the "Unregistered Senior Notes") were exchanged for 9.625% senior notes registered under the Securities Act of 1933, as amended (the "Registered Senior Notes"), pursuant to a registration statement on Form S-4 that had been declared effective by the Securities and Exchange Commission on September 30, 2004. Apart from the fact that the Registered Senior Notes have been registered under the Securities Act, the Unregistered Senior Notes and the Registered Senior Notes are substantially identical and are referred to herein as the "Senior Notes". The Senior Notes are unconditionally guaranteed, jointly and severally, by certain of the Company's wholly-owned subsidiaries.

As at June 30, 2005, the Company had outstanding $159.0 million aggregate principal of Registered Senior Notes and $1.0 million aggregate principal of Unregistered Senior Notes.

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

6. OLD SENIOR NOTES DUE 2005

In December 1998, the Company issued $200.0 million of senior notes due December 1, 2005 bearing interest at a rate of 7.875% per annum (the "Old Senior Notes").

During 2003, the Company retired an aggregate of $47.2 million principal amount of the Old Senior Notes. In December 2003, the Company completed a tender offer and consent solicitation for its remaining $152.8 million of the Old Senior Notes. In December 2003, $123.6 million in principal of the Old Senior Notes were redeemed pursuant to the 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 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.

7. CREDIT FACILITY

On February 6, 2004, the Company entered into a loan agreement for a secured revolving credit facility (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 and further reduced by outstanding letters of credit. 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 June 30, 2005, the Company has not drawn down on the Credit Facility, however, it has issued letters of credit for $9.6 million under the Credit Facility arrangement.

8. COMMITMENTS

(A) The Company's total minimum annual rental payments to be made under operating leases for premises as of June 30, 2005 for each of the years ended December 31, are as follows:

2005 (six months remaining)	$ 2,547
2006	5,630
2007	5,335
2008	5,038
2009	5,033
Thereafter	24,207
	$47,790

(B) As at June 30, 2005, the Company has letters of credit of $9.6 million (December 31, 2004 - $5.5 million) outstanding under the Company's credit facility arrangement (see note 7).

(C) In March 2004, the Company received $5.0 million in cash under a film financing arrangement which was included in accrued liabilities. In the second quarter of 2005, the Company received another $3.8 million under the same film financing arrangement. The Company is required to expend these funds towards the production and distribution of a motion picture title. The Company has expended $6.2 million of these funds as at June 30, 2005 and has recorded $2.6 million in accrued liabilities.

9. CONTINGENCIES

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with SFAS 5, "Accounting for Contingencies," the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgement or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgement occurs.

(A) In March 2005, the Company, together with Three-Dimensional Media Group, Ltd. ("3DMG"), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. ("In-Three") alleging patent infringement. The Company and 3DMG allege that In-Three has deliberately infringed a patent which covers a proprietary 2D-to-3D film conversion process, and seek injunctive relief and damages. In April 2005, In-Three filed an Answer denying infringement and asserting that the patent in suit is invalid and unenforceable. In-Three also asserted counterclaims that seek a declaratory judgment of non-infringement, invalidity, and unenforceability of the patent in suit, and damages for alleged false advertising, false designation of origin, breach of contract, interference with prospective economic advantage and/or unfair competition, and further sought a stay of the proceedings pending a review of the patent in suit by the U.S. Patent and Trademark Office ("PTO"). On June 7, 2005, In-Three moved to dismiss the Company's and 3DMG's claims against it for lack of jurisdiction. On July 21, 2005, In-Three's claims were amended to assert counterclaims against the Company for willful infringement of In-Three's patents, and seek an injunction against the Company to enjoin it from practicing its 2D-to-3D film conversion technology. On July 21 and July 29, 2005, the Court issued orders: (i) rejecting In-Three's motion to dismiss the proceedings, (ii) rejecting In-Three's motion for a preliminary injunction against the Company, (iii) rejecting In-Three's motion to stay the proceedings for an examination by the PTO and (iv) rejecting the Company's motion for a preliminary injunction against In-Three. Accordingly the Company believes the case will proceed to trial, and the Court informed the parties that it intends to oversee a swift resolution of the proceedings. The Company will continue to vigorously pursue its claims and believes that all of the allegations made by In-Three are without merit. The Company further believes the amount of the loss, if any, suffered in connection with the counterclaims 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.

(B) 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.

9. CONTINGENCIES (cont'd)

(C) 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.

(D) In January 2004, the Company and IMAX Theater 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 $17.8 million 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. 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 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.

(E) 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.

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

10. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS SUPPLEMENTAL INFORMATION

(A) The Company generally enters into multi-year theater system lease agreements with customers that typically contain customer payment obligations prior to the scheduled installation of the theater system. During the period of time between lease signing and system installation, certain customers each year generally are unable, or elect not, to proceed with system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and the Company may enter into a consensual lease buyout, whereby the parties are released from their future obligations under the lease and the geographic territory granted to the customer reverts to the Company. Once an agreement is reached by both parties, the initial lease payments that the customer previously made to the Company are recognized as revenue. In addition, since the introduction of its new IMAX MPX theater system in 2003, the Company has agreed with several customers to terminate their original agreements and to sign new system agreements for the MPX system. Upon finalizing the new agreement, the total consideration received under both the terminated agreements and the new MPX arrangement is allocated first to the MPX system and the residual amount to settlement revenue. Included in IMAX systems revenue for the three and six months ended June 30, 2005 are the following types of settlement arrangements: $nil and $0.2 million respectively related to MPX conversion agreements (2004 - $1.6 million, $3.2 million); and $3.9 million and $10.8 million respectively related to consensual lease buyouts (2004 - $0.6 million, $3.5 million). In aggregate: three and six months ended June 30, 2005 - $3.9 million and $11.0 million respectively, three and six month ended June 30, 2004 - $2.2 million and $6.7 million respectively.

(B) Included in selling, general and administrative expenses for the three and six months ended June 30, 2005 is $0.5 million and $0.7 million respectively (2004 - $0.2 million, $0.5 million) for net foreign exchange losses related to the translation of foreign currency denominated monetary assets, liabilities and integrated subsidiaries.

11. RECEIVABLE PROVISIONS, NET OF (RECOVERIES)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Accounts receivable provisions, net of (recoveries)	$(370)	$(69)	$(108)	$(242)
Financing receivables provisions, net of (recoveries)(1)	$ --	$ --	$ (50)	$(725)
Receivable provisions, net of (recoveries)	$(370)	$(69)	$(158)	$(967)

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

12. 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 of approximately 10% for the 2005 year to quarterly pre-tax income. In addition to the estimated 10% effective tax rate in the current quarter, the Company recorded a tax provision within current income taxes related to the conclusion of a tax examination by the provincial authorities for the 1999 and 2000 tax years. The audit resulted in a net cash tax recovery to the Company of $0.3 million in the quarter. The recovery has been recorded in two parts. An amount of $0.4 million has been charged through the current income tax provision to reflect the increase in income taxes for the periods audited offset by a recovery of provincial capital taxes for the same audit periods in the amount of $0.7 million. This recovery has been recorded in the quarter through selling, general and administrative expenses.

As at June 30, 2005, the Company has recognized net deferred income tax assets of $6.5 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 June 30, 2005, the Company had a gross deferred income tax asset of $51.2 million, against which the Company is carrying a $44.7 million valuation allowance.

13. CAPITAL STOCK

(A) STOCK BASED COMPENSATION

In the three and six months ended June 30, 2005, an aggregate of 13,335 and 26,670 (2004 - 13,335 and 26,670) options with an average exercise price of $9.44 and $10.00, respectively, (2004 - $5.49 and $6.30) to purchase the Company's common stock were issued to certain advisors and strategic partners of the Company. The Company has calculated the fair value of these options to non-employees on the date of grant to be $0.07 million and $0.1 million (2004 - $0.04 million and $0.1 million), respectively, using a Binomial option-pricing model with the following underlying assumptions:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Average risk-free interest rate	3.9%	3.8%	3.9%	3.3%
Expected option life	5 years	5 years	5 years	5 years
Average expected volatility	62%	62%	62%	62%
Dividend yield	0%	0%	0%	0%

In the three and six months ended June 30, 2005, the Company has recorded a charge of $ 0.07 million and $0.1 respectively (2004 - $0.04 million and $0.1 million) to film cost of sales related to the non-employee stock options.

There were no warrants issued in the three and six months ended June 30, 2005 (2004 - $nil and $nil). 550,000 warrants were issued in 2003. In the first quarter of 2005, 80,872 common shares were issued upon exercise of 200,000 warrants. All remaining warrants have either expired or have been cancelled. Upon exercise of options and warrants in the three and six months ended June 30, 2005, amounts of $0.2 million and $1.0 million, respectively, representing the fair value of the original options or warrants issued were transferred from other equity to capital stock to reflect the value of the shares issued within capital stock.

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

13. CAPITAL STOCK (cont'd)

(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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net earnings applicable to common shareholders:				
Net earnings	$ 1,111	$ 1,552	$ 2,307	$ 656
Weighted average number of common shares (000's):				
Issued and outstanding, beginning of period	39,758	39,304	39,447	39,302
Weighted average number of shares issued during the period	60	6	240	5
Weighted average number of shares used in computing basic earnings per share	39,818	39,310	39,687	39,307
Assumed exercise of stock options, net of shares assumed repurchased	2,123	627	2,243	314
Weighted average number of shares used in computing diluted earnings per share	41,941	39,937	41,930	39,621

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 for the year ended December 31, 2004. Inter-segment transactions are not significant.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
REVENUE				
IMAX systems	$20,308	$20,482	$ 42,421	$ 36,502
Films	5,301	6,600	10,248	11,089
Theater operations	4,198	3,771	8,014	7,513
Other	1,071	895	1,563	1,524
TOTAL	$30,878	$31,748	$ 62,246	$ 56,628
EARNINGS (LOSS) FROM OPERATIONS				
IMAX systems	$11,183	$11,824	$ 23,742	$ 21,546
Films	308	(1,304)	(563)	(2,407)
Theater operations	190	490	(56)	894
Corporate and other	(6,300)	(5,976)	(12,862)	(11,369)
TOTAL	$ 5,381	$ 5,034	$ 10,261	$ 8,664

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

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. The Company paid out $0.8 million with respect to amounts owing to the landlord during 2003 and 2004. As the Company is uncertain as to the outcome of the proceeding, no additional amount has been recorded.

(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. The loans receivable are collateralized by fixed and floating charges over all DPI assets including intellectual properties. One of the loans is convertible, upon the occurrence of certain events, into shares representing 49% of the total share capital of DPI. During the three and six months ended June 30, 2005, the Company recognized $0.2 million and $0.4 million (2004 - $0.2 million and $0.4 million) in income from discontinued operations for cash received. As of June 30, 2005 the remaining balance of the loans and interest receivable is $13.5 million, of which $13.3 million has been allowed for.

(C) CONSOLIDATED STATEMENT OF OPERATIONS FOR DPI

The net earnings from discontinued operations summarized in the Consolidated Statements of Operations, for the three and six months ended June 30, was comprised of the following:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net earnings from discontinued operations	$186	$200	$426	$400

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

16. DEFINED BENEFIT PLAN

The Company has a U.S. defined benefit pension plan covering its two Co-Chief Executive Officers. As the plan is unfunded, the Company has not paid any contributions in the period ended June 30, 2005 and does not expect to pay any contributions in the remainder of the year. The Company intends to use the proceeds of life insurance policies taken on its Co-Chief Executive Officers to be applied towards the benefits due and payable under the plan, although there can be no assurance that the Company will ultimately do so. The following table provides disclosure of pension expense for the defined benefit plan for the three and six months ended June 30:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Service cost	$ 604	$ 516	$1,208	$1,032
Interest cost	390	317	780	634
Amortization of prior service cost	349	349	698	698
Pension expense	$1,343	$1,182	$2,686	$2,364

17. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, FASB issued a revision to Financial Accounting Standards No. 123 ("FAS 123R"). FAS 123R is focused primarily on the accounting for transactions in which a company obtains employee services in exchange for stock options or share-based payments. Currently, the Company grants stock options to their employees and discloses the pro forma effect of compensation expense for these stock options. Under FAS 123R, the Company will be required to record this compensation expense in the Company's results of operations. FAS 123R is effective for the beginning of the first annual reporting period that begins after December 31, 2005. The Company has evaluated the effect the adoption of FAS 123R and expects to adopt the pronouncement beginning on January 1, 2006. The Company estimates that based on the currently issued options, and not including any further grants which may occur in 2005, the additional compensation expense for the year ended December 31, 2006 will approximate $0.6 million before taxes.

18. SUPPLEMENTAL CONSOLIDATING FINANCIAL INFORMATION

The Company's Senior Notes are fully and 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. and IMAX B.V. (the "Non-Guarantor Subsidiaries") which have not provided any guarantees of the Senior 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 June 30, 2005:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
ASSETS					
Cash and cash equivalents	$ 14,648	$ 3,925	$ 252	$ --	$ 18,825
Short-term investments	15,143	--	--	--	15,143
Accounts receivable	18,126	3,317	347	--	21,790
Financing receivables	58,008	2,052	--	--	60,060
Inventories	30,332	239	84	--	30,655
Prepaid expenses	2,106	732	96	--	2,934
Intercompany receivables	12,653	29,658	11,529	(53,840)	--
Film assets	2,644	--	--	--	2,644
Fixed assets	26,370	1,472	1	--	27,843
Other assets	12,441	--	--	--	12,441
Deferred income taxes	6,379	75	--	--	6,454
Goodwill	39,027	--	--	--	39,027
Other intangible assets	3,033	--	--	--	3,033
Investments in subsidiaries	32,651	--	--	(32,651)	--
Total assets	$ 273,561	$ 41,470	$12,309	$(86,491)	$ 240,849
LIABILITIES					
Accounts payable	4,897	1,594	--	--	6,491
Accrued liabilities	53,654	1,871	200	--	55,725
Intercompany payables	42,693	32,661	6,942	(82,296)	--
Deferred revenue	51,103	5,202	196	--	56,501
Senior Notes due 2010	160,000	--	--	--	160,000
Total liabilities	312,347	41,328	7,338	(82,296)	278,717
SHAREHOLDER'S DEFICIT					
Common stock	119,846	--	117	(117)	119,846
Other equity/Additional paid in capital/Contributed surplus	829	46,960	--	(45,926)	1,863
Deficit	(159,136)	(46,204)	4,854	41,848	(158,638)
Accumulated other comprehensive income (loss)	(325)	(614)	--	--	(939)
Total shareholders' equity (deficit)	$ (38,786)	$ 142	$ 4,971	$ (4,195)	$ (37,868)
Total liabilities & shareholders' equity (deficit)	$ 273,561	$ 41,470	$12,309	$(86,491)	$ 240,849

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 $28.6 million as at June 30, 2005.

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 Balance Sheets as at December 31, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
ASSETS					
Cash and cash equivalents	$ 23,683	$ 5,058	$ 223	$ --	$ 28,964
Accounts receivable	16,492	3,029	378	--	19,899
Financing receivables	57,769	1,723	--	--	59,492
Inventories	28,661	233	107	--	29,001
Prepaid expenses	1,712	464	103	--	2,279
Inter-company receivables	13,407	31,146	12,100	(56,653)	--
Film assets	871	--	--	--	871
Fixed assets	27,184	1,527	1	--	28,712
Other assets	13,377	--	--	--	13,377
Deferred income taxes	6,104	67	--	--	6,171
Goodwill	39,027	--	--	--	39,027
Other intangible assets	3,060	--	--	--	3,060
Investments in subsidiaries	31,693	--	--	(31,693)	--
Total assets	$ 263,040	$ 43,247	$12,912	$(88,346)	$ 230,853
LIABILITIES					
Accounts payable	3,238	2,583	6	--	5,827
Accrued liabilities	54,674	2,086	137	--	56,897
Inter-company payables	43,000	34,440	7,597	(85,037)	--
Deferred revenue	45,422	4,918	165	--	50,505
Senior Notes due 2010	160,000	--	--	--	160,000
Total liabilities	306,334	44,027	7,905	(85,037)	273,229
SHAREHOLDER'S DEFICIT					
Capital stock	116,281	--	117	(117)	116,281
Other equity/Additional paid in capital/Contributed surplus	2,193	46,960	--	(45,926)	3,227
Deficit	(161,443)	(47,126)	4,890	42,734	(160,945)
Accumulated other comprehensive income (loss)	(325)	(614)	--	--	(939)
Total shareholders' equity (deficit)	$ (43,294)	$ (780)	$ 5,007	$ (3,309)	$ (42,376)
Total liabilities & shareholders' equity (deficit)	$ 263,040	$ 43,247	$12,912	$(88,346)	$ 230,853

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 $28.5 million.

(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 June 30, 2005:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$19,911	$1,647	$209	$(1,459)	$20,308
Films	4,193	1,399	5	(296)	5,301
Theater operations	216	4,009	--	(27)	4,198
Other	1,070	--	1	--	1,071
	25,390	7,055	215	(1,782)	30,878
COST OF GOODS AND SERVICES	10,764	5,913	114	(1,782)	15,009
GROSS MARGIN	14,626	1,142	101	--	15,869
Selling, general and administrative expenses	9,463	196	153	--	9,812
Research and development	886	--	--	--	886
Amortization of intangibles	160	--	--	--	160
Loss (income) from equity-accounted investees	(899)	--	--	899	--
Receivable provisions, net of (recoveries)	(370)	--	--	--	(370)
EARNINGS (LOSS) FROM OPERATIONS	5,386	946	(52)	(899)	5,381
Interest income	282	--	2	--	284
Interest expense	(4,203)	1	--	--	(4,202)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,465	947	(50)	(899)	1,463
Provision for income taxes	(538)	--	--	--	(538)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	927	947	(50)	(899)	925
Net earnings from discontinued operations	186	--	--	--	186
NET EARNINGS (LOSS)	$ 1,113	$ 947	$(50)	$ (899)	$ 1,111

(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 June 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$19,870	$ 356	$337	$ (81)	$20,482
Films	6,377	1,306	10	(1,093)	6,600
Theater operations	183	3,622	--	(34)	3,771
Other	895	--	--	--	895
	27,325	5,284	347	(1,208)	31,748
COST OF GOODS AND SERVICES	13,237	5,007	103	(1,208)	17,139
GROSS MARGIN	14,088	277	244	--	14,609
Selling, general and administrative expenses	8,217	179	224	--	8,620
Research and development	870	--	--	--	870
Amortization of intangibles	154	--	--	--	154
Loss (income) from equity-accounted investees	(89)	--	--	89	--
Receivable provisions, net of (recoveries)	(69)	--	--	--	(69)
EARNINGS (LOSS) FROM OPERATIONS	5,005	98	20	(89)	5,034
Interest income	98	--	--	--	98
Interest expense	(4,085)	(5)	(30)	--	(4,120)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,018	93	(10)	(89)	1,012
Recovery of income taxes	340	--	--	--	340
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,358	93	(10)	(89)	1,352
Net earnings from discontinued operations	200	--	--	--	200
NET EARNINGS (LOSS)	$ 1,558	$ 93	$(10)	$ (89)	$ 1,552

(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 six months ended June 30, 2005:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$41,599	$ 1,952	$437	$(1,567)	$42,421
Films	7,844	3,189	14	(799)	10,248
Theater Operations	442	7,626	--	(54)	8,014
Other	1,538	--	25	--	1,563
	51,423	12,767	476	(2,420)	62,246
COST OF GOODS AND SERVICES	21,014	11,434	204	(2,420)	30,232
GROSS MARGIN	30,409	1,333	272	--	32,014
Selling, general and administrative expenses	19,335	410	310	--	20,055
Research and development	1,539	--	--	--	1,539
Amortization of intangibles	317	--	--	--	317
Loss (income) from equity-accounted investees	(886)	--	--	886	--
Receivable provisions, net of (recoveries)	(158)	--	--	--	(158)
EARNINGS (LOSS) FROM OPERATIONS	10,262	923	(38)	(886)	10,261
Interest income	496	--	2	--	498
Interest expense	(8,398)	(1)	--	--	(8,399)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,360	922	(36)	(886)	2,360
Provision for income taxes	(479)	--	--	--	(479)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	1,881	922	(36)	(886)	1,881
Net earnings from discontinued operations	426	--	--	--	426
NET EARNINGS (LOSS)	$ 2,307	$ 922	$(36)	$ (886)	$ 2,307

(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 six months ended June 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
REVENUE					
IMAX systems	$35,406	$ 626	$659	$ (189)	$36,502
Films	10,050	2,784	14	(1,759)	11,089
Theater operations	319	7,245	--	(51)	7,513
Other	1,523	--	1	--	1,524
	47,298	10,655	674	(1,999)	56,628
COST OF GOODS AND SERVICES	21,055	10,376	225	(1,999)	29,657
GROSS MARGIN	26,243	279	449	--	26,971
Selling, general and administrative expenses	16,335	316	303	--	16,954
Research and development	2,015	--	--	--	2,015
Amortization of intangibles	305	--	--	--	305
Loss (income) from equity-accounted investees	(142)	--	--	142	--
Receivable provisions, net of (recoveries)	(891)	(76)	--	--	(967)
EARNINGS (LOSS) FROM OPERATIONS	8,621	39	146	(142)	8,664
Interest income	225	--	--	--	225
Interest expense	(8,146)	(13)	(30)	--	(8,189)
Loss on retirement of notes	(784)	--	--	--	(784)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(84)	26	116	(142)	(84)
Recovery of income taxes	340	--	--	--	340
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	256	26	116	(142)	256
Net earnings from discontinued operations	400	--	--	--	400
NET EARNINGS (LOSS)	$ 656	$ 26	$116	$ (142)	$ 656

(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 six months ended June 30, 2005:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss)	$ 2,307	$ 922	$(36)	$(886)	$ 2,307
Net (earnings) from discontinued operations	(426)	--	--	--	(426)
Items not involving cash:					
Depreciation and amortization	6,982	267	--	--	7,249
Write-downs	(158)	--	--	--	(158)
Loss (income) from equity-accounted investees	(886)	--	--	886	--
Change in deferred income taxes	(275)	(8)	--	--	(283)
Stock and other non-cash compensation	2,406	--	--	--	2,406
Unrealized foreign exchange loss	515	--	--	--	515
Investment in film assets	(4,795)	--	--	--	(4,795)
Changes in other non-cash operating assets and liabilities	(1,061)	(2,054)	58	--	(3,057)
Net cash provided by (used in) operating activities	4,609	(873)	22	--	3,758
INVESTING ACTIVITIES					
Increase in short-term investments	(15,143)	--	--	--	(15,143)
Purchase of fixed assets	(255)	(212)	--	--	(467)
Increase in other assets	(375)	--	--	--	(375)
Increase in other intangible assets	(290)	--	--	--	(290)
Net cash used in investing activities	(16,063)	(212)	--	--	(16,275)
FINANCING ACTIVITIES					
Common shares issued	2,052	--	--	--	2,052
Net cash provided by financing activities from discontinued operations	236	--	--	--	236
Net cash provided by financing activities	2,288	--	--	--	2,288
Effects of exchange rate changes on cash	131	(48)	7	--	90
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(9,271)	(1,133)	29	--	(10,375)
Increase in cash and cash equivalents from discontinued operations	236	--	--	--	236
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(9,035)	(1,133)	29	--	(10,139)
Cash and cash equivalents, beginning of period	23,683	5,058	223	--	28,964
CASH AND CASH EQUIVALENTS, END OF PERIOD	$14,648	$ 3,925	$252	$ --	$ 18,825

(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 six months ended June 30, 2004:

	IMAX CORPORATION	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED TOTAL
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss)	$ 256	$ 26	$116	$(142)	$ 256
Net (earnings) from discontinued operations					
Items not involving cash:					
Depreciation and amortization	6,280	275	1	--	6,556
Write-downs (recoveries)	(891)	(76)	--	--	(967)
Loss (income) from equity-accounted investees	(142)	--	--	142	--
Change in deferred income taxes	(859)	(8)	--	--	(867)
Loss on retirement of notes	784	--	--	--	784
Stock and other non-cash compensation	1,377	--	--	--	1,377
Non-cash foreign exchange loss	324	--	--	--	324
Premium on repayment of notes	(576)	--	--	--	(576)
Investment in film assets	(2,341)	925	--	--	(1,416)
Changes in restricted cash	4,961	--	--	--	4,961
Changes in other non-cash operating assets and liabilities	(7,408)	(2,418)	(78)	--	(9,904)
Net cash used in operating activities from discontinued operations	--	--	--	--	--
Net cash provided by (used in) operating activities	1,765	(1,276)	39	--	528
INVESTING ACTIVITIES					
Disposal (purchase) of fixed assets	(532)	(57)	--	--	(589)
Decrease (increase) in other assets	(684)	--	--	--	(684)
Decrease (increase) in other intangible assets	(176)	--	--	--	(176)
Net cash used in investing activities	(1,392)	(57)	--	--	(1,449)
FINANCING ACTIVITIES					
Repayment of Old Senior Notes due 2005	(29,234)	--	--	--	(29,234)
Financing costs related to Senior Notes due 2010	(564)	--	--	--	(564)
Common shares issued	43	--	--	--	43
Net cash provided by financing activities from discontinued operations	400	--	--	--	400
Net cash used in financing activities	(29,355)	--	--	--	(29,355)
Effects of exchange rate changes on cash	(72)	24	(7)	--	(55)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(29,454)	(1,309)	32	--	(30,731)
Increase (decrease) in cash and cash equivalents from discontinued operations	400	--	--	--	400
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, DURING THE PERIOD	(29,054)	(1,309)	32	--	(30,331)
Cash and cash equivalents, beginning of period	41,311	5,696	275	--	47,282
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 12,257	$ 4,387	$307	$ --	$ 16,951

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 summarized below.

(A) 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.

(B) 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.

(C) PENSION ASSET AND LIABILITIES

Under U.S. GAAP, included in accrued liabilities is a minimum pension liability of $5.9 million as at June 30, 2005 and $6.6 million as at December 31, 2004, representing unrecognized prior service costs and unrecognized actuarial gains or losses. An amount of $4.3 million as at June 30, 2005, and $5.0 million as at December 31, 2004 is included in other assets, representing unrecognized prior service costs. In addition, under U.S. GAAP, an amount of $1.6 million as at June 30, 2005 and as at December 31, 2004 is recorded against accumulated other comprehensive income, resulting from an unrecognized actuarial loss. Under Canadian GAAP, the minimum pension liability, and the corresponding amounts recorded in other assets and accumulated other comprehensive income are not recorded.

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

19. SUMMARY OF SIGNIFICANT 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net earnings (loss) in accordance with U.S. GAAP	$1,111	$1,552	$ 2,307	$ 656
Depreciation of Fixed Assets(a)	--	(41)	--	(82)
Stock-based compensation(b)	(653)	(177)	(1,182)	(178)
Net earnings in accordance with Canadian GAAP	$ 458	$1,334	$ 1,125	$ 396
Earnings (loss) per share (note 13):				
Earnings (loss) per share - basic and diluted:				
Net earnings (loss) from continuing operations	$ 0.01	$ 0.03	$ 0.02	$ --
Net earnings from discontinued operations	$ --	$ --	$ 0.01	$0.01
Net earnings (loss)	$ 0.01	$ 0.03	$ 0.03	$0.01

CONSOLIDATED SHAREHOLDERS' EQUITY (DEFICIT)

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

	JUNE 30, 2005	DECEMBER 31, 2004
Shareholders' equity (deficit) in accordance with U.S. GAAP	$(37,868)	$(42,376)
Unrecognized actuarial loss(c)	1,584	1,584
Shareholders' equity (deficit) in accordance with Canadian GAAP	$(36,284)	$(40,792)

20. FINANCIAL STATEMENT PRESENTATION

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

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 259 IMAX theaters operating in 38 countries worldwide as of June 30, 2005. 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 summarized 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 for the year ended December 31, 2004 and are summarized below.

SIGNIFICANT ACCOUNTING POLICIES

The Company 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 in future periods as revenue when reported by the theater operator, provided that collection is reasonably assured. Maintenance revenues are recognized when the services are rendered.

The Company recognizes revenues from sales and sales-type leases generally upon installation of the theater system. Revenue associated with a sale or 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 critical estimates that the Company considers with respect to the Company's lease accounting are the determination of economic useful life and the fair value of the projection equipment, including its residual value. These estimates are based upon historical experience with all our projection systems. Residual values are established at lease inception using estimates of fair value at the end of the lease term with consideration for forecasted supply and demand for various systems, future product launch plans, end of lease customer behavior, refurbishment strategies and changes in technology.

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 using the criteria under FAS 13. 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 normal 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.

The Company generally enters into multi-year system lease agreements with customers that typically contain customer payment obligations prior to the scheduled installation of the system. During the period of time between lease signing and system installation, certain customers each year generally are unable, or elect not, to proceed with system installation for a number of reasons including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and the Company may enter into a consensual lease buyout, whereby the parties are released from all their future obligations under the lease, the initial lease payments that the customer previously made to the Company are recognized as revenue and the geographic territory granted to the customer reverts to the Company. For this reason, the Company has a high degree of certainty of collecting the value of a signed contract, either through a consensual lease buyout or the installation of a theater system. In addition, since the introduction of its new IMAX MPX theater system in 2003, the Company has agreed with several customers to terminate their existing lease agreements which were in the Company's backlog and sign new MPX system agreements.

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.

MULTIPLE ELEMENT ARRANGEMENTS

On occasion, the Company will include film licenses or other specified elements as part of system sales or lease agreements. When separate prices are listed in a multiple element arrangement, these prices may not be indicative of the fair values of those elements because the prices of the different components of the arrangements may be modified through negotiation although the aggregate consideration may not. Revenues under these arrangements are allocated based upon the estimated relative fair values of each element.

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)

MULTIPLE ELEMENT ARRANGEMENTS (cont'd)

In the normal course of its business, the Company will have customers who, for a number of reasons are unable to proceed with theater construction or wish to modify the terms of an existing arrangement. There is typically deferred revenue involved with these arrangements representing initial cash payments in advance of the default, settlement or modification of the arrangement. Where there are multiple elements involved in these arrangements, pursuant to the policies discussed above, the total consideration to be received in these situations is allocated to each individual element of the settlement or modification arrangement based on the relative fair values of each element. Upon allocation of value to each element, each element is accounted for based on applicable revenue recognition criteria.

SHORT-TERM INVESTMENTS

The Company has short-term investments, which generally have maturities of more than three months and less than one year from the date of purchase. The short-term investments are classified as held to maturity based on the Company's positive intent and ability to hold the securities to maturity. The Company invests primarily in Canadian and U.S. government securities and commercial paper rated "A1+" by Standard & Poor's and these investments are stated at amortized cost, which approximates fair market value. Income related to these securities is reported as a component of interest income. At June 30, 2005, the Company had $11.0 million in U.S. government securities and $4.1 million invested in commercial paper.

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.

The evaluation of collectibility of customer accounts is typically done on an individual account basis. If, based on an evaluation of accounts, the Company concludes that it is probable that the customer will not be able to pay all amounts due, the Company estimates the expected loss. In developing the estimates for an allowance, the Company considers general and industry economic and market conditions as well as other credit information available for the customer. The Company only records recoveries of provisions when objective verifiable evidence supports the change in the original provision.

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.

FILM ASSETS

Estimates of ultimate revenues are prepared on a title by title basis and reviewed regularly by management and revised where necessary to reflect the most current information. Ultimate revenue for films includes estimates of revenues over a period not to exceed 10 years following the date of initial release.

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 June 30, 2005, the Company had net deferred income tax assets of $6.5 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 June 30, 2005, 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)

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, FASB issued a revision to Financial Accounting Standards No. 123 ("FAS 123R"). FAS 123R is focused primarily on the accounting for transactions in which a company obtains employee services in exchange for stock options or share-based payments. Currently, the Company grants stock options to their employees and discloses the pro forma effect of compensation expense for these stock options. Under FAS 123R, the Company will be required to record this compensation expense in the Company's results of operations. FAS 123R is effective for the beginning of the first annual reporting period that begins after December 31, 2005. The Company has evaluated the effect the adoption of FAS 123R and expects to adopt the pronouncement beginning on January 1, 2006. The Company estimates that based on the currently issued options, and not including any further grants which may occur in 2005, the additional compensation expense for the year ended December 31, 2006 will approximate $0.6 million before taxes.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004

The Company reported net earnings from continuing operations before income taxes of $1.5 million or $0.03 per share on a diluted basis and net earnings from continuing operations after taxes of $0.9 million or $0.02 per share on a diluted basis for the second quarter of 2005. For the second quarter of 2004 the Company reported net earnings from continuing operations before income taxes of $1.0 million or $0.02 per share on a diluted basis and net earnings from continuing operations after taxes of $1.4 million or $0.03 per share on a diluted basis.

REVENUE

The Company's revenues for the second quarter of 2005 decreased 2.7% to $30.9 million from $31.7 million in the same period last year.

Systems revenue decreased to $20.3 million in the second quarter of 2005 from $20.5 million in the second quarter of 2004, a decrease of 0.8%. The Company recognized revenue on nine theater systems which qualified as either sales or sales-type leases in the second quarter of 2005 versus five theater systems in the second quarter of 2004. In addition, the Company installed and recognized revenue on two theater systems that qualified as operating leases in the second quarter of 2005 versus nil in the same period for 2004. Revenue from sales and leases decreased to $13.9 million in the second quarter of 2005 from $14.5 million in 2004, a decrease of 4.3%.

Four of the systems recognized in the second quarter related to the sale of used theater systems. More specifically, one customer exercised an option to convert two operating leases into an outright purchase of the theater systems for additional cash consideration, and the Company sold two used theater systems to new owner/operators upon termination of the operating leases with the original lessees. As these transactions represent the sale of used systems that were several years old, their average value is substantially lower than that of a new theatre system installation.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004 (cont'd)

REVENUE (cont'd)

Average revenue per system decreased as a result of a change in mix of the systems outlined in the table below.

	THREE MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2004
Sales and Sales-type leases		
IMAX 2D GT	1	--
IMAX 3D GT	4	3
IMAX 3D SR	1	1
IMAX 3D MPX	3	1
	9	5
Operating leases		
IMAX 3D MPX	2	--
Total Recognitions	11	5

The Company generally enters into multi-year system lease agreements with customers that typically contain customer payment obligations prior to the scheduled installation of the system. During the period of time between lease signing and system installation, certain customers each year generally are unable, or elect not, to proceed with system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and the Company may enter into a consensual lease buyout, whereby the parties are released from their future obligations under the lease, the initial lease payments that the customer previously made to the Company are recognized as revenue and the geographic territory granted to the customer reverts to the Company. For this reason, the Company has a high degree of certainty of collecting the value of a signed contract, either through a consensual lease buyout or the installation of a theater system. In addition, since the introduction of its new IMAX MPX theater system in 2003, the Company has agreed with several customers to terminate their existing lease agreements which were in the Company's backlog and sign new MPX system agreements. Amounts relating to settlement revenue for the second quarter in 2005 total $3.9 million compared to $2.2 million for the same period in 2004. The settlement amounts are detailed as follows: $nil in the second quarter of 2005 related to MPX conversion agreements compared to $1.6 million for the same period in 2004 and $3.9 million in the second quarter of 2005 related to consensual lease buyouts compared to $0.6 million for the same period in 2004. No revenue was recognized in respect of terminations of agreements after customer default in either the second quarter of 2005 or 2004. The Company anticipates that while MPX conversion agreements may continue as MPX systems continue to prove popular with commercial customers, overall revenue from consensual lease buyouts and terminations of agreements by customer default will likely decrease throughout the remainder of 2005 in comparison to 2004.

Ongoing rental revenue and maintenance revenue in the second quarter of 2005 increased 12.3% and 4.3%, respectively, from the same period in 2004 due primarily to growth of the IMAX theater network. The Company expects to see an increase compared to 2004 in both ongoing rent and maintenance revenue as the Company's theater network continues to grow in 2005.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004 (cont'd)

REVENUE (cont'd)

Film revenues decreased to $5.3 million in the second quarter of 2005 from $6.6 million in the second quarter of 2004 due primarily to a decrease in film distribution revenues. Film distribution revenues decreased to $2.7 million in the second quarter 2005 from $4.3 million in the second quarter 2004, a decrease of 38.6%, primarily due to the release of NASCAR 3D: The IMAX Experience in March 2004. There was no equivalent IMAX film released in 2005. Film production and post-production revenues increased to $1.2 million in the second quarter 2005 from $0.9 million in the second quarter 2004, an increase of 39.9% mainly due to an increase in third party business at the Company's post-production unit. IMAX DMR revenues increased by 2.2% in the second quarter of 2005 as stronger box office performance in the quarter was partially offset by a one time recovery in the prior year.

The Company intends to release, in conjunction with studios, five films in 2005, including the already released Robots (March 2005), Batman Begins: The IMAX Experience (June 2005) and Charlie and The Chocolate Factory: The IMAX Experience (July 2005), as well as Magnificent Desolation 3D (September 2005) and Harry Potter and the Goblet of Fire: The IMAX Experience (November 2005). In addition, the Company plans to re-release the hit film The Polar Express: The IMAX 3D Experience in December 2005.

Theater operations revenue increased to $4.2 million in the second quarter of 2005 from $3.8 million in the second quarter of 2004, primarily due to an increase in the average ticket prices of 8.9% and an overall increase in attendance of 3.5%.

Other revenue increased to $1.1 million in the second quarter of 2005 from $0.9 million in the second quarter of 2004, an increase of 19.7%, primarily due to increased rentals of 2D and 3D cameras. Other revenue primarily includes revenue generated from the Company's camera and rental business and after market sales of projection system parts.

Based on the Company's expectation of 2005 system installations and its estimate of films to be released throughout 2005, the Company believes it will see higher revenues in 2005 in comparison to 2004.

GROSS MARGIN

Gross margin in the second quarter of 2005 was $15.9 million, or 51.4% of total revenue, compared to $14.6 million, or 46.0% of total revenue in the second quarter of 2004. Systems margins declined in the second quarter of 2005 by $0.6 million or 4.6%. Average gross margin on sales and sales-type lease of projection systems decreased in the second quarter of 2005 versus the same period in 2004 by 56.1% primarily due to the difference in the mix of projector systems recognized, and the used systems sold in the quarter. Partially offsetting these amounts is an increase in the margin impact of consensual lease buyouts of $3.9 million compared to $0.6 million for consensual lease buyouts in the same period of 2004 and $nil compared to $1.6 million for MPX conversion agreements in the same period of 2004.

The Company's film gross margin increased in the second quarter of 2005 by $1.4 million. During the second quarter of 2005, the Company's film post-production gross margin increased $0.9 million, mainly due to an increase in third party business. The Company's film distribution gross margin also increased $0.8 million due to the higher margin impact of 15/70 library films initially released in prior years. The Company's DMR gross margin decreased slightly by $0.4 million due to costs relating to the Company's DMR pictures.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004 (cont'd)

GROSS MARGIN (cont'd)

The Company's owned and operated theater gross margin decreased in the second quarter of 2005 by $0.3 million in comparison to the same period in 2004 as a result of higher rental fees paid to third parties.

Other gross margin increased by $0.7 million in the second quarter of 2005 primarily due to increased rentals of 2D and 3D cameras.

The Company anticipates higher gross margins throughout 2005 in comparison to 2004 due to a combination of higher system installations and its DMR film releases as commercial exhibitors continue to install new projection systems in their multiplexes.

OTHER

Selling, general and administrative expenses were $9.8 million in the second quarter of 2005 versus $8.6 million in the same period of 2004. Legal fees for the second quarter of 2005 increased by $0.7 million as the Company incurred legal costs related to patent infringement matters. Compensation expense increased by $1.1 million in the second quarter of 2005 in comparison to the same period in 2004 due to a higher non-cash stock-based compensation charge in the current quarter along with a higher Canadian dollar denominated salary expense due to the strength of the Canadian dollar compared to the previous year quarter. In addition, the Company has slightly higher staffing levels in the current year quarter due to a higher level of anticipated theater system signings and installations in the upcoming year. The Company recorded a foreign exchange loss of $0.5 million in the second quarter of 2005 compared to a loss of $0.2 million in the second quarter of 2004. The Company records foreign exchange translation gains and losses primarily on a portion of its financing receivable balances which are denominated in Canadian dollars, Euros and Japanese Yen. The Company recorded a capital tax recovery of $0.7 million net of capital tax expense of $0.2 million for the quarter. The Company expensed $0.2 million for capital taxes paid in the same period for 2004.

Receivable provisions net of recoveries for accounts receivable and financing receivables amounted to a net recovery of $0.4 million in the second quarter of 2005 compared to a net recovery of $0.1 million in the second quarter of 2004.

Interest income increased to $0.3 million in the second quarter of 2005 from $0.1 million in the second quarter of 2004 primarily due to higher average cash balances and short-term investments, and overall higher yields.

Interest expense increased to $4.2 million in the second quarter of 2005 from $4.1 million in the second quarter of 2004. Included in interest expense is the amortization of deferred finance costs in the amount of $0.2 million in the second quarters of 2005 and 2004 relating to the Senior Notes due 2010. 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 JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004 (cont'd)

INCOME TAXES

The Company's effective tax rate differs from the statutory tax rate and will vary from year to year primarily as a result of numerous permanent differences, the Canadian manufacturing and processing profits deduction, investments and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations. The income tax expense (recovery) for the quarter is calculated by applying the estimated average annual effective tax rate of approximately 10% for the 2005 year to quarterly pre-tax income. In addition to the estimated 10% effective tax rate in the current quarter, the Company recorded a tax provision within current income taxes related to the conclusion of a tax examination by the provincial authorities for the 1999 and 2000 tax years. The audit resulted in a net cash tax recovery to the Company of $0.3 million in the quarter. The recovery has been recorded in two parts. An amount of $0.4 million has been charged through the current income tax provision to reflect the increase in income taxes for the periods audited offset by a recovery of provincial capital taxes for the same audit periods in the amount of $0.7 million. The recovery has been recorded in the quarter through selling, general and administrative expenses. As of June 30, 2005, the Company had a gross deferred income tax asset of $51.2 million, against which the Company is carrying a $44.7 million valuation allowance.

RESEARCH AND DEVELOPMENT

Research and development expenses remained consistent at $0.9 million in the second quarters of 2005 and 2004. The expenses primarily reflect research and development activities pertaining to the Company's new IMAX MPX theater projection system which is now complete. Through research and development, the Company continues to design and develop cinema-based equipment, software and other technologies to enhance its product offering, including the continued enhancement of a method of generating stereoscopic (3D) imaging data from a monoscopic (2D) source. 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 the conversion of monoscopic (2D) to stereoscopic (3D) images and holds a number of patents, patents pending and intellectual property rights in these areas. In addition, the Company holds numerous digital patents in the large-format field of use. However, there can be no assurance that the Company will be awarded patents covering its technology or that competitors will not develop similar technologies.

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 a legal 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 as between $0.8 million and $2.3 million. The Company paid out $0.8 million with respect to amounts owing to the landlord during 2003 and 2004. 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 second quarters of 2005 and 2004.

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

RESULTS OF OPERATIONS (cont'd)

THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004 (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. The loans receivable are collateralized by fixed and floating charges over all DPI assets including intellectual properties. One of the loans is convertible, upon the occurrence of certain events, into shares representing 49% of the total share capital of DPI. During the second quarter of 2005, the Company recognized $0.2 million (2004 - $0.2 million) in income from discontinued operations for cash received. As of June 30, 2005 the remaining balance of the loans and interest receivable is $13.5 million, of which $13.3 million has been allowed for.

SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004

The Company reported net earnings from continuing operations before income taxes of $2.4 million or $0.06 per share on a diluted basis and net earnings from continuing operations after taxes of $1.9 million or $0.05 per share on a diluted basis for the first half of 2005. For the first half of 2004 the Company reported a net loss from continuing operations before income taxes of $0.1 million or $nil per share on a diluted basis and net earnings from continuing operations after taxes of $0.3 million or $0.01 per share on a diluted basis.

REVENUE

The Company's revenues for the first half of 2005 increased 9.9% to $62.2 million from $56.6 million in the same period last year.

Systems revenue increased to $42.4 million in the first half of 2005 from $36.5 million in the first half of 2004, an increase of 16.2%. Revenue from sales and leases increased to $30.4 million in the first half of 2005 from $24.9 million in 2004, an increase of 22.0%. This increase was due to a greater number of system recognitions, and higher revenue from consensual lease buyouts in the period, partially offset by lower average revenue per system. The Company recognized revenue on 14 theater systems which qualified as either sales or sales-type leases in the first half of 2005 versus seven theater systems in the first half of 2004. In addition, the Company installed and recognized revenue on three theater systems that qualified as operating leases in the first half of 2005 versus nil in the same period for 2004.

Four of the systems recognized in the first half of the year related to the sale of used theater systems. More specifically, one customer exercised an option to convert two operating leases into an outright purchase of the theater systems for additional cash consideration, and the Company sold two used theater systems to new owner/operators upon termination of the operating leases with the original lessees. As these transactions represent the sale of used systems that were several years old, their average value is substantially lower than that of a new theatre system installation.

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

RESULTS OF OPERATIONS (cont'd)

SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004 (cont'd)

REVENUE (cont'd)

Average revenue per system decreased as a result of a change in mix of the systems outlined in the table below.

	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
Sales and Sales-type leases		
IMAX 2D GT	1	--
IMAX 3D GT	5	4
IMAX 3D SR	4	2
IMAX 3D MPX	4	1
	14	7
Operating leases		
IMAX 3D MPX	3	--
Total Recognitions	17	7

The Company generally enters into multi-year system lease agreements with customers that typically contain customer payment obligations prior to the scheduled installation of the system. During the period of time between lease signing and system installation, certain customers each year generally are unable, or elect not, to proceed with system installation for a number of reasons, including business considerations, or the inability to obtain certain consents, approvals or financing. Once the determination is made that the customer will not proceed with installation, the customer and the Company may enter into a consensual lease buyout, whereby the parties are released from their future obligations under the lease, the initial lease payments that the customer previously made to the Company are recognized as revenue and the geographic territory granted to the customer reverts to the Company. For this reason, the Company has a high degree of certainty of collecting the value of a signed contract, either through a consensual lease buyout or the installation of a theater system. In addition, since the introduction of its new IMAX MPX theater system in 2003, the Company has agreed with several customers to terminate their existing lease agreements which were in the Company's backlog and sign new MPX system agreements. Amounts relating to settlement revenue for the first half in 2005 total $11.0 million compared to $6.7 million for the same period in 2004. The settlement amounts are detailed as follows: $0.2 million in the first half of 2005 related to MPX conversion agreements compared to $3.2 million for the same period in 2004 and $10.8 million in the first half of 2005 related to consensual lease buyouts compared to $3.5 million for the same period in 2004. No revenue was recognized in respect of terminations of agreements after customer default in either the first half of 2005 or 2004. The Company anticipates that while MPX conversion agreements may continue as MPX systems continue to prove popular with commercial customers, overall revenue from consensual lease buyouts and terminations of agreements by customer default will likely decrease throughout the remainder of 2005 in comparison to 2004.

Ongoing rental revenue and maintenance revenue in the first half of 2005 increased 6.0% and 2.1%, respectively, from the same period in 2004. The Company expects to see an increase compared to 2004 in both ongoing rent and maintenance revenue as the Company's theater network continues to grow in 2005.

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

RESULTS OF OPERATIONS (cont'd)

SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004 (cont'd)

REVENUE (cont'd)

Film revenues decreased to $10.2 million in the first half of 2005 from $11.1 million in the first half of 2004. IMAX DMR revenues, which are revenues to the Company generated from the gross box office performance of IMAX DMR films, increased to $2.9 million in 2005 from $1.4 million in 2004. The increase in DMR revenue was due to the continued successful performance of The Polar Express: The IMAX 3D Experience, the March 2005 release of Robots: The IMAX Experience, and the June 2005 release of Batman Begins: The IMAX Experience. The increase in DMR revenues was partially offset by a decrease in film distribution revenues, which are revenues related to the release of films in the IMAX 15/70 library or new 15/70 productions to which the Company has distribution rights. Film distribution revenues decreased to $4.7 million in the first half of 2005 from $7.5 million in the first half of 2004, a decrease of 37.2%, primarily due to the release of NASCAR 3D: The IMAX Experience released in March 2004. There was no equivalent IMAX film released in 2005. Film production and post-production revenues increased to $2.6 million in the first half of 2005 from $2.2 million in the first half of 2004, an increase of 21.2% mainly due to an increase third party business at the Company's post-production unit.

The Company intends to release, in conjunction with studios, five films in 2005, including the already released Robots (March 2005), Batman Begins: The IMAX Experience (June 2005) and Charlie and The Chocolate Factory: The IMAX Experience (July 2005), as well as Magnificent Desolation 3D (September 2005) and Harry Potter and the Goblet of Fire: The IMAX Experience (November 2005). In addition, the Company plans to re-release the hit film The Polar Express: The IMAX 3D Experience in December 2005.

Theater operations revenue increased to $8.0 million in the first half of 2005 from $7.5 million in the first half of 2004, primarily due to an increase in the average ticket prices of 10.4%.

Other revenue increased to $1.6 million in the first half of 2005 from $1.5 million in the first half of 2004, an increase of 2.6%. An increase in revenue from 2D and 3D camera rentals was partially offset by a decrease in sponsorship and after market sales. Other revenue primarily includes revenue generated from the Company's camera and rental business and after market sales of projection system parts.

Based on the Company's expectation of 2005 system installations and its estimate of films to be released throughout 2005, the Company believes it will continue to see higher revenues in 2005 in comparison to 2004.

GROSS MARGIN

Gross margin in the first half of 2005 was $32.0 million, or 51.4% of total revenue, compared to $27.0 million, or 47.6% of total revenue in the first half of 2004. The increase in gross margins for 2005 is primarily due to a combination of the recognition of 17 systems during the period, three of which were operating leases versus seven recognitions in the prior year, and the margin impact of higher consensual lease buyouts during the period. Average gross margin on sales and sales-type lease of projection systems decreased in the first half of 2005 versus the same period in 2004 by 49.9% primarily due to the difference in the mix of projector systems recognized, and the used systems sold in the quarter. Included in gross margin are amounts for the first half of 2005 related to consensual lease buyouts of $10.8 million compared to $3.5 million in the same period in 2004 and MPX conversion agreements $0.2 million compared to $3.2 million in the same period in 2004.

The Company's film gross margin increased in the first half of 2005 by $1.7 million. During the first half of 2005, the Company's film post-production unit gross margin increased $1.4 million, mainly due to an increase in third party business. The Company's film distribution gross margin also increased $0.9 million due to the higher margin impact of 15/70 library films initially released in prior years. The Company's DMR gross margin decreased slightly by $0.4 million due to costs relating to the Company's DMR pictures.

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

RESULTS OF OPERATIONS (cont'd)

SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004 (cont'd)

GROSS MARGIN (cont'd)

The Company's owned and operated theater gross margin decreased in the first half of 2005 in comparison to the same period in 2004 as a result of higher rental fees paid to third parties.

The Company anticipates higher gross margins throughout 2005 in comparison to 2004 due to a combination of higher system installations and its DMR film releases as commercial exhibitors continue to install new projection systems in their multiplexes.

OTHER

Selling, general and administrative expenses were $20.1 million in the first half of 2005 versus $17.0 million in the same period of 2004. Legal fees for the first half of 2005 increased by $ 1.2 million as the Company incurred legal costs related to patent infringement matters and settled certain litigation matters. Compensation expense increased by $2.3 million in the first half of 2005 in comparison to the same period in 2004 due largely to a higher non-cash stock-based compensation charge along with a higher Canadian dollar denominated salary expense due to the strength of the Canadian dollar. In addition, the Company has slightly higher staffing levels in the first half of the current year due to a higher level of anticipated theater system signings and installations in the upcoming year. The Company recorded a foreign exchange loss of $0.7 million in the first half of 2005 compared to a loss of $0.5 million in the same period in 2004. The Company records foreign exchange translation gains and losses primarily on a portion of its financing receivable balances which are denominated in Canadian dollars, Euros and Japanese Yen. The company recorded a capital tax recovery of $0.3 million net of capital tax expense for refunds received in the first half of 2005 and expensed $0.4 million for capital taxes in the same period for 2004.

Amortization of intangibles remained consistent at $0.3 million in each of the first halves of 2005 and 2004.

Receivable provisions net of recoveries for accounts receivable and financing receivables amounted to a net recovery of $0.2 million in the first half of 2005 compared to a net recovery of $1.0 million in the first half of 2004.

Interest income increased to $0.5 million in the first half of 2005 from $0.2 million in the first half of 2004 primarily due to higher average cash balances and short-term investments, and overall higher yields.

Interest expense increased to $8.4 million in the first half of 2005 from $8.2 million in the first half of 2004. Included in interest expense is the amortization of deferred finance costs in the amount $0.4 million in the first half of 2005 and 2004 related to senior notes due 2010. The Company's policy is to defer and amortize all the costs relating to a debt financing over the life of the debt instrument.

INCOME TAXES

The Company's effective tax rate differs from the statutory tax rate and will vary from year to year primarily as a result of numerous permanent differences, the Canadian manufacturing and processing profits deduction, investments and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, changes in the Company's valuation allowance based on the Company's recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations. The income tax expense (recovery) for the quarter is calculated by applying the estimated average annual effective tax rate of approximately 10% for the 2005 year to quarterly pre-tax income. The first half of 2005 income tax provision also included an amount of $0.3 million in respect of the conclusion of various tax examinations for the 1999 and 2000 taxation years. As of June 30, 2005, the Company had a gross deferred income tax asset of $51.2 million, against which the Company is carrying a $44.7 million valuation allowance.

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

RESULTS OF OPERATIONS (cont'd)

SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004 (cont'd)

RESEARCH AND DEVELOPMENT

Research and development expenses were $1.5 million in the first half of 2005 versus $2.0 million in the first half of 2004. The lower level of expenses in 2005 primarily reflects research and development activities pertaining to the Company's new IMAX MPX theater projection system which is now complete. Through research and development, the Company continues to design and develop cinema-based equipment, software and other technologies to enhance its product offering, including the continued enhancement of a method of generating stereoscopic (3D) imaging data from a monoscopic (2D) source. 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 the conversion of monoscopic (2D) to stereoscopic (3D) images and holds a number of patents, patents pending and intellectual property rights in these areas. In addition, the Company holds numerous digital patents in the large-format field of use. However, there can be no assurance that the Company will be awarded patents covering its technology or that competitors will not develop similar technologies.

LOSS ON RETIREMENT OF NOTES

During the first half 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.

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 a legal 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 as between $0.8 million and $2.3 million. The Company paid out $0.8 million with respect to amounts owing to the landlord during 2003 and 2004. 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 first halves of 2005 and 2004.

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. The loans receivable are collateralized by fixed and floating charges over all DPI assets including intellectual properties. One of the loans is convertible, upon the occurrence of certain events, into shares representing 49% of the total share capital of DPI. During the first half of 2005, the Company recognized $0.4 million (2004 - $0.4 million) in income from discontinued operations for cash received. As of June 30, 2005 the remaining balance of the loans and interest receivable is $13.5 million, of which $13.3 million has been allowed for.

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

LIQUIDITY AND CAPITAL RESOURCES

CREDIT FACILITY

On February 6, 2004, the Company entered into a loan agreement for a secured revolving credit facility (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 and further reduced by outstanding letters of credit. 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 June 30, 2005, the Company has not drawn down on the Credit Facility, however, it has issued letters of credit for $9.6 million under the Credit Facility arrangement.

CASH AND CASH EQUIVALENTS

As at June 30, 2005, the Company's principal sources of liquidity included cash and cash equivalents of $18.8 million, short-term investments of $15.1 million, the Credit Facility, trade accounts receivable of $21.8 million and anticipated collection from net investment in leases due in the next 12 months of $8.4 million. As at June 30, 2005, the Company had not drawn down any amounts under the Credit Facility.

The Company believes that cashflow 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, the Company's operating cashflow can be impacted if management's projections of future signings and installations are not realized. The Company forecasts its short-term liquidity requirements on a quarterly and annual basis. Since the Company's future cashflows are based on estimates and there may be factors that are outside of the Company's control, 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.

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 $3.8 million for the period ended June 30, 2005. Changes in other non-cash operating assets as compared to December 31, 2004 include an increase of $3.0 million in inventories, an increase of $1.1 million in financing receivables, a $1.6 million increase in accounts receivable and a $0.7 million increase in prepaid expenses which relates to prepaid film print costs that will be expensed over the period to be benefited. Changes in other non-cash operating liabilities as compared to December 31, 2004 include an increase in deferred revenue of $6.0 million, an increase in accounts payable of $0.7 million and a decrease of $3.4 million in accrued liabilities. Included in accrued liabilities for the period ended June 30, 2005 were $2.6 million in film finance proceeds which are required to be spent on a specific film project and an amount of $27.9 million in respect of accrued pension obligations which are long-term in nature.

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)

Cash used in investing activities amounted to $16.3 million in the first half of 2005, which includes an increase in short-term investments of $15.1 million, purchases of $0.5 million in fixed assets, an increase in other assets of $0.4 million and an increase in other intangible assets of $0.3 million.

Cash provided by financing activities in the first half of 2005 amounted to $2.3 million primarily due to the issuance of common shares through the exercise of stock options. The Company also received $0.2 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 $5.3 million for the first half of 2005.

Cash provided by operating activities amounted to $0.5 million for the period ended June 30, 2004. Changes in other non-cash operating assets and liabilities included a decrease in deferred revenue of $12.1 million, and a decrease of $1.8 million in inventories. Cash used by investing activities for the first half of 2004 amounted to $1.4 million, primarily consisting of $0.6 million invested in fixed assets and $0.7 million invested in other assets. Cash used in financing activities included a $29.2 million retirement of its Old Senior Notes. 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 net of sales proceeds and investments in film assets were $2.0 million for the first half of 2004.

LETTERS OF CREDIT AND OTHER COMMITMENTS

As at June 30, 2005, the Company has letters of credit of $9.6 million outstanding of which the entire balance has been secured by the Credit Facility. In addition, the Company is required to expend $2.6 million included in accrued liabilities as at June 30, 2005 towards the production of a future motion picture title.

SENIOR NOTES DUE 2010

In November 2004, the Company completed an exchange offer wherein $159.0 million of the Company's 9.625% senior notes due December 1, 2010 (the "Unregistered Senior Notes") were exchanged for 9.625% senior notes registered under the Securities Act of 1933, as amended (the "Registered Senior Notes"), pursuant to a registration statement on Form S-4 that had been declared effective by the Securities and Exchange Commission on September 30, 2004. Apart from the fact that the Registered Senior Notes have been registered under the Securities Act, the Unregistered Senior Notes and the Registered Senior Notes are substantially identical and are referred to herein as the "Senior Notes". The Senior Notes are unconditionally guaranteed, jointly and severally, by certain of the Company's wholly-owned subsidiaries.

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

As at June 30, 2005, the Company had outstanding $159.0 million aggregate principal of Registered Senior Notes and $1.0 million aggregate principal of Unregistered Senior Notes.

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

LIQUIDITY AND CAPITAL RESOURCES (cont'd)

OLD SENIOR NOTES DUE 2005

In December 1998, the Company issued $200.0 million of senior notes due December 1, 2005 bearing interest at a rate of 7.875% per annum (the "Old Senior Notes").

During 2003, the Company retired an aggregate of $47.2 million principal amount of the Old Senior Notes and accrued interest of $0.7 million in exchange for the issuance of 5,838,353 of its common shares at an average value of $8.28 per share. The Company recorded additional charges of $0.3 million related to costs associated with this retirement. These transactions had the effect of reducing the principal amount of the Company's outstanding Old Senior Notes to $152.8 million. In December 2003, the Company completed a tender offer and consent solicitation for its remaining $152.8 million of the Old Senior Notes. In December 2003, $123.6 million in principal of the Old Senior Notes were redeemed pursuant to the 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. A loss of $0.8 million related to the retirement was recorded in 2004.

PENSION OBLIGATIONS

The Company has a defined benefit pension plan covering its two Co-Chief Executive Officers. As at June 30, 2005, the Company had an unfunded and accrued projected benefit obligation of approximately $27.9 million (December 31, 2004 - $25.9 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 be applied towards the, in whole or in part, benefits due and payable under the plan, although there can be no assurance that the Company will ultimately do so.

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

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 2005, the Company, together with Three-Dimensional Media Group, Ltd. ("3DMG"), filed a complaint in the U.S. District Court for the Central District of California, Western Division, against In-Three, Inc. ("In-Three") alleging patent infringement. The Company and 3DMG allege that In-Three has deliberately infringed a patent which covers a proprietary 2D-to-3D film conversion process, and seek injunctive relief and damages. In April 2005, In-Three filed an Answer denying infringement and asserting that the patent in suit is invalid and unenforceable. In-Three also asserted counterclaims that seek a declaratory judgment of non-infringement, invalidity, and unenforceability of the patent in suit, and damages for alleged false advertising, false designation of origin, breach of contract, interference with prospective economic advantage and/or unfair competition, and further sought a stay of the proceedings pending a review of the patent in suit by the U.S. Patent and Trademark Office ("PTO"). On June 7, 2005, In-Three moved to dismiss the Company's and 3DMG's claims against it for lack of jurisdiction. On July 21, 2005, In-Three's claims were amended to assert counterclaims against the Company for willful infringement of In-Three's patents, and seek an injunction against the Company to enjoin it from practicing its 2D-to-3D film conversion technology. On July 21 and July 29, 2005, the Court issued orders: (i) rejecting In-Three's motion to dismiss the proceedings, (ii) rejecting In-Three's motion for a preliminary injunction against the Company, (iii) rejecting In-Three's motion to stay the proceedings for an examination by the PTO and (iv) rejecting the Company's motion for a preliminary injunction against In-Three. Accordingly the Company believes the case will proceed to trial, and the Court informed the parties that it intends to oversee a swift resolution of the proceedings. The Company will continue to vigorously pursue its claims and believes that all of the allegations made by In-Three are without merit. The Company further believes the amount of the loss, if any, suffered in connection with the counterclaims 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.

(B) 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.

(C) 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.

PART II OTHER INFORMATION (cont'd)

ITEM 1. LEGAL PROCEEDINGS (cont'd)

(D) In January 2004, the Company and IMAX Theater 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 $17.8 million 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. 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 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.

(E) 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

10.22	First Amendment to the Loan Agreement dated June 30, 2005 between Congress Financial Corporation (Canada) and IMAX Corporation
31.1	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Bradley J. Wechsler.
31.2	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Richard L. Gelfond.
31.3	Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Francis T. Joyce
32.1	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Bradley J. Wechsler.
32.2	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Richard L. Gelfond.
32.3	Certification Pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, dated August 4, 2005, by Francis T. Joyce

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: August 4, 2005	By: /s/ Francis T. Joyce ----------------------------------- Francis T. Joyce Chief Financial Officer (Principal Financial Officer)
Date: August 4, 2005	By: /s/ Kathryn A. Gamble ----------------------------------- Kathryn A. Gamble Vice President, Finance, Controller (Principal Accounting Officer)

IMAX CORPORATION
Exhibit 10.22

FIRST AMENDMENT TO THE LOAN AGREEMENT

THIS AGREEMENT made as of the 30th day of June, 2005.

BETWEEN:

CONGRESS FINANCIAL CORPORATION (CANADA), a corporation incorporated under the laws of the Province of Ontario

(the "LENDER")

OF THE FIRST PART

-and-

IMAX CORPORATION, a corporation incorporated under the laws of Canada

(the "BORROWER")

OF THE SECOND PART

RECITALS:

WHEREAS the Borrower and the Lender have entered into a loan agreement dated as of February 6, 2004 (such agreement and all amendments, modifications, restatements, supplements, renewals, extensions and replacements entered into from time to time being referred to herein as the "LOAN AGREEMENT");

AND WHEREAS the Borrower and the Lender wish to amend Section 2.2(d) of the Loan Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the covenants and agreements contained herein and for other good and valuable consideration, the parties hereto agree to amend the Loan Agreement as provided herein:

ARTICLE 1
INTERPRETATION

1.1 DEFINITIONS

In this Agreement, unless the context otherwise requires, all terms defined in the Loan Agreement and not otherwise defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

1.2 GENDER AND NUMBER

Words importing the singular include the plural and vice versa and importing gender include, all genders.

1.3 SEVERABILITY

Each of the provisions contained in this Agreement is distinct and severable, and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Agreement.

1.4 HEADINGS

The division of this Agreement into articles, sections and clauses, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 GOVERNING LAW

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

1.6 ATTORNMENT

The parties hereto irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario for all matters arising out of or in connection with this Agreement.

ARTICLE 2
AMENDMENT OF LOAN AGREEMENT

2.1 DEFINITIONS AND USE OF PROCEEDS

The Borrower and the Lender hereby agree that the Loan Agreement is amended as follows:

(a) The reference to "$10,000,000" in Section 2.2(d) of the Loan Agreement is hereby deleted and replaced with "$12,000,000".

2.2 TO BE READ WITH LOAN AGREEMENT

This Agreement is an amendment to the Loan Agreement. Unless the context otherwise requires, the Loan Agreement and this Agreement shall be read together and shall have effect as if the provisions of the Loan Agreement and this Agreement were contained in one agreement. The term "Agreement" when used in the Loan Agreement means the Loan Agreement as amended by this Agreement, together with all amendments, supplements, restatements, replacements and novations thereof from time to time.

2.3 EFFECT OF THIS AGREEMENT

Except as modified pursuant to this Agreement, no other changes or modifications to the Loan Agreement or the other Financing Agreements are intended or implied and in all other respects the Loan Agreement and the other Financing Agreements are hereby specifically ratified, restated, and confirmed by the Borrower, and the Lender as of the effective date hereof.

2.4 CONTINUANCE OF LOAN AGREEMENT AND SECURITY

The Loan Agreement, as changed, altered, amended or modified by this Agreement, shall be and continue in full force and effect and is hereby confirmed and the rights and obligations of all parties thereunder shall not be affected or prejudiced in any manner except as specifically provided for herein. It is agreed and confirmed that after giving effect to this Agreement, all security delivered by the Borrower secures the payment of all of the Obligations including, without limitation, the obligations arising under the Loan Agreement, as amended by the terms of this Agreement.

2.5 NO NOVATION

The amendments contemplated by this Agreement will not discharge or constitute a novation of any debt, obligation, covenant or agreement contained in the Loan Agreement or any of the other Financing Agreements, but the same shall remain in full force and effect, save to the extent same are amended by this Agreement.

ARTICLE 3
GENERAL

3.1 EXPENSES

Borrower agrees to pay all fees, expenses and disbursements including, without limitation, legal fees, incurred by or payable to the Lender in connection with the preparation, negotiation, completion, execution, delivery and review of this Agreement and all other documents and instruments arising therefrom and/or executed in connection therewith.

3.2 FURTHER ASSURANCES

The parties hereto shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Agreement all at the expense of the Borrower.

3.3 BINDING EFFECT

This Agreement shall be binding upon and enure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

3.4 EXECUTION IN COUNTERPARTS

This Agreement may be executed and delivered by facsimile and in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first above mentioned.

IMAX CORPORATION

Per: /s/ "G. Mary Ruby"

Name: G. Mary Ruby
Title: Senior Vice President
Legal Affairs

Per: /s/ "Mary Sullivan"

Name: Mary Sullivan
Title: Senior Vice President
Human Resources & Administration

I/We have the authority to bind the Corporation

CONGRESS FINANCIAL CORPORATION (CANADA)

Per: /s/ "Carmela Massari"

Name: Carmela Massari
Title: First Vice President/Team Leader

I/We have the authority to bind the Corporation

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: August 4, 2005

By: /s/ "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: August 4, 2005

By: /s/ "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: August 4, 2005

By: /s/ "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 June 30, 2005 (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: August 4, 2005

/s/ "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 June 30, 2005 (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: August 4, 2005

/s/ "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 June 30, 2005 (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: August 4, 2005

/s/ "Francis T. Joyce"

Francis T. Joyce
Chief Financial Officer