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

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2008

OR

o **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 ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer ☑ Non-accelerated filer o Smaller reporting Company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 May 8, 2008
Common stock, no par value	43,250,865

IMAX CORPORATION

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IMAX CORPORATION

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 and technology strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of business, operations and technology, 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; U.S. or Canadian regulatory inquiries; conditions in the in-home and out-of-home entertainment industries; changes in laws or regulations; conditions, changes and developments in the commercial exhibition industry; risks associated with the performance 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®, IMAX® Dome, IMAX® 3D, IMAX® 3D Dome, *The* IMAX *Experience*®, *An* IMAX *Experience*®, IMAX DMR®, DMR®, IMAX MPX®, IMAX think big® and think big® are trademarks and trade names of the Company or its subsidiaries that are registered or otherwise protected under laws of various jurisdictions.

IMAX CORPORATION

PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

	Page
The following Condensed Consolidated Financial Statements are filed as part of this Report:	
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IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
In accordance with United States Generally Accepted Accounting Principles
(In thousands of U.S. dollars)

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Cash and cash equivalents	$ 18,061	$ 16,901
Accounts receivable, net of allowance for doubtful accounts of $3,354 (2007 — $3,045)	20,632	25,505
Financing receivables (note 3)	58,050	59,092
Inventories (note 4)	21,640	22,050
Prepaid expenses	3,722	2,187
Film assets	2,177	2,042
Property, plant and equipment	23,949	23,708
Other assets	14,107	15,093
Goodwill	39,027	39,027
Other intangible assets	2,338	2,377
Total assets	$ 203,703	$ 207,982
Liabilities		
Accounts payable	$ 8,775	$ 12,300
Accrued liabilities (notes 7(a), 7(c), 8, 13(a), 16(a), 16(c))	63,088	61,967
Deferred revenue	67,054	59,085
Senior Notes due 2010 (note 5)	160,000	160,000
Total liabilities	298,917	293,352
Commitments and contingencies (notes 7 and 8)		
Shareholders' deficiency		
Capital stock (note 13) common shares — no par value. Authorized — unlimited number. Issued and outstanding — 40,510,407 (2007 — 40,423,074)	122,721	122,455
Other equity	4,282	4,088
Deficit	(223,666)	(213,407)
Accumulated other comprehensive income	1,449	1,494
Total shareholders' deficiency	(95,214)	(85,370)
Total liabilities and shareholders' deficiency	$ 203,703	$ 207,982

(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 March 31,	
	2008	2007 (note 15(a))
Revenues		
Equipment and product sales	$ 6,698	$ 7,074
Services	14,207	17,301
Rentals	1,544	1,286
Finance income	1,071	1,186
	23,520	26,847
Cost of goods sold, services and rentals		
Equipment and product sales	2,965	3,943
Services	9,689	10,803
Rentals	730	560
	13,384	15,306
Gross margin	10,136	11,541
Selling, general and administrative expenses (note 9)	12,387	10,321
Research and development	2,488	1,495
Amortization of intangibles	133	136
Receivable provisions net of (recoveries) (note 11)	748	6
Loss from operations	(5,620)	(417)
Interest income	126	226
Interest expense	(4,496)	(4,249)
Loss from continuing operations before income taxes	(9,990)	(4,440)
Provision for income taxes	(269)	(167)
Loss from continuing operations	(10,259)	(4,607)
Net loss from discontinued operations	—	(133)
Net loss	$(10,259)	$ (4,740)
Loss per share		
Loss per share — basic & diluted:		
Net loss from continuing operations	$ (0.25)	$ (0.11)
Net loss from discontinued operations	$ —	$ (0.01)
Net loss	$ (0.25)	$ (0.12)
Other comprehensive income consists of:		
Amortization of prior service credits (net of tax provision of $17 and $76 for the three months ended March 31, 2008 and 2007, respectively)	$ 45	$ 161
	$ 45	$ 161

(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)

	Three Months Ended March 31,	
	2008	**2007** (note 15(a))
Cash provided by (used in):		
Operating Activities		
Net loss	$(10,259)	$ (4,740)
Net loss from discontinued operations	—	133
Items not involving cash:		
Depreciation and amortization (note 10)	4,203	3,014
Receivable provisions, net of recoveries (note 11)	748	6
Change in deferred income taxes	17	(76)
Stock and other non-cash compensation	1,257	1,504
Foreign currency exchange loss (gain)	191	(109)
Accrued interest on short-term investments	—	(17)
Change in cash surrender value of life insurance	(13)	(8)
Investment in film assets	(2,445)	(1,340)
Changes in other non-cash operating assets and liabilities (note 10)	9,443	3,168
Net cash used in operating activities from discontinued operations (note 15)	—	(908)
Net cash provided by operating activities	3,142	627
Investing Activities		
Purchases of short-term investments	—	(2,124)
Proceeds from maturities of short-term investments	—	2,115
Purchase of property, plant and equipment	(1,766)	(99)
Acquisition of other assets	(78)	(245)
Acquisition of other intangible assets	(95)	(148)
Net cash used in investing activities	(1,939)	(501)
Financing Activities		
Common shares issued	266	—
Net cash provided by financing activities	266	—
Effects of exchange rate changes on cash	(309)	3
Increase in cash and cash equivalents, during the period	1,160	129
Cash and cash equivalents, beginning of period	16,901	25,123
Cash and cash equivalents, end of period	$ 18,061	$ 25,252

(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

IMAX Corporation, together with its wholly-owned subsidiaries (the “Company”), reports its results under United States Generally Accepted Accounting Principles (“U.S. GAAP”).

The condensed consolidated financial statements include the accounts of the Company, except for subsidiaries which the Company has identified as variable interest entities (“VIEs”) where the Company is not the primary beneficiary. 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 has evaluated its various variable interests to determine whether they are VIEs in accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. 46R, “Consolidation of Variable Interest Entities” (“FIN 46R”). The Company has five film production companies that are VIEs. As the Company is exposed to the majority of the expected losses for one of the film production companies, the Company has determined that it is the primary beneficiary of this entity. The Company continues to consolidate this entity, with no material impact on the operating results or financial condition of the Company, as this production company has total assets and total liabilities of $nil as at March 31, 2008 (December 31, 2007 — $nil). For the other four film production companies which are VIEs, the Company did not consolidate these film entities since it does not bear the majority of the expected losses or expected residual returns. The Company equity accounts for these entities. As at March 31, 2008, these five VIEs have total assets of $0.3 million (December 31, 2007 — $0.3 million) and total liabilities of $0.3 million (December 31, 2007 — $0.3 million). Earnings of the investees included in the Company’s condensed consolidated statement of operations amounted to $nil for the three months ended March 31, 2008 and 2007, respectively. The carrying value of these investments in VIEs that are not consolidated is $nil at March 31, 2008 (March 31, 2007 — $nil). A loss in value of an investment other than a temporary decline is recognized as a charge to the consolidated statement of operations.

All significant intercompany accounts and transactions, including all unrealized intercompany profits on transactions with equity-accounted investees, have been eliminated.

The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

These financial statements should be read in conjunction with the consolidated financial statements included in the Company’s 2007 Annual Report on Form 10-K for the year ended December 31, 2007 (the “2007 Form 10-K”) 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, 2007, except as noted below.

2. Change in Accounting Policy

In June 2006, FIN 48 was issued. This interpretation prescribes a more likely than not recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of a tax position, classification of a liability for unrecognized tax benefits, accounting for interest and penalties, accounting in interim periods, and expanded income tax disclosures. FIN 48 was effective for the Company on January 1, 2007. The cumulative effect of the change in accounting principle recorded in the first quarter of 2007 upon adoption of FIN 48 was an increase to the tax liability of $2.1 million and a charge to deficit.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP 157-2), "Effective Date of FASB Statement No. 157". FSP 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities that are not remeasured at fair value on a recurring basis until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact of this statement on its non-financial assets and non-financial liabilities included in its consolidated financial statements. For financial assets and financial liabilities, SFAS 157 was effective for the Company on January 1, 2008 on a prospective basis. The adoption of SFAS 157 to the Company's financial assets and financial liabilities did not have a material effect on the Company's financial condition or results of operations as of January 1, 2008.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" ("SFAS 159"), with an effective date of January 1, 2008. Companies that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar assets and liabilities. SFAS 159 did not have an effect on the Company's financial condition or results of operations as the Company did not elect this fair value option for any of its financial assets and financial liabilities.

3. Financing Receivables

Financing receivables, consisting of net investment in sales-type leases and receivables from financed sales of its theater systems, are as follows:

	March 31, 2008	December 31, 2007
Gross minimum lease payments receivable	$ 76,594	$ 79,878
Unearned finance income	(24,258)	(26,387)
Minimum lease payments receivable	52,336	53,491
Accumulated allowance for uncollectible amounts	(3,977)	(4,152)
Net investment in leases	48,359	49,339
Gross receivables from financed sales	14,844	14,949
Unearned financed income	(5,153)	(5,196)
Net financed sale receivables	9,691	9,753
Total financing receivables	$ 58,050	$ 59,092
Net financed sale receivables due within one year	$ 1,324	$ 1,528
Net financed sale receivables due after one year	$ 8,367	$ 8,225

As at March 31, 2008, the financed sale receivables had a weighted average effective interest rate of 9.5% (December 31, 2007 — 9.4%).

4. Inventories

	March 31, 2008	December 31, 2007
Raw materials	$ 6,707	$ 7,067
Work-in-process	1,200	2,091
Finished goods	13,733	12,892
	$ 21,640	$ 22,050

At March 31, 2008, finished goods inventory for which title had passed to the customer and revenue was deferred amounted to $4.0 million (December 31, 2007 — $3.2 million).

Inventories at March 31, 2008 include provisions for excess and obsolete inventory based upon current estimates of net realizable value considering future events and conditions of $4.3 million (December 31, 2007 — $4.3 million).

5. Senior Notes due 2010

As at March 31, 2008, the Company had outstanding $159.0 million (December 31, 2007 — $159.0 million) aggregate principal of Registered Senior Notes and $1.0 million (December 31, 2007 — $1.0 million) aggregate principal of Unregistered Senior Notes. The Registered Senior Notes and the Unregistered Senior Notes are referred to herein as the “Senior Notes”.

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 terms of the Company’s Senior Notes require that annual and quarterly financial statements are filed with the Trustee within 15 days of the required public company filing deadlines. If these financial reporting covenants are breached then this is considered an event of default under the terms of the Senior Notes and the Company has 30 days to cure this default, after which the Senior Notes become due and payable.

In March 2007, the Company delayed the filing of its Annual Report on Form 10-K for the year ended December 31, 2006 beyond the required public company filing deadline due to the discovery of certain accounting errors, broadened its accounting review to include certain other accounting matters based on comments received by the Company from the Securities and Exchange Commission (the “SEC”) and the Ontario Securities Commission (the “OSC”), and ultimately restated financial statements for certain periods. The filing delay resulted in the Company being in default of a financial reporting covenant under the indenture dated as at December 4, 2003, and as thereafter amended and supplemented, governing the Company’s Senior Notes due 2010 (the “Indenture”).

On April 16, 2007 the Company completed a consent solicitation, receiving consents from holders of approximately 60% aggregate principal amount of the Senior Notes (the “Consenting Holders”) to execute a ninth supplemental indenture (the “Supplemental Indenture”) to the Indenture with the Guarantors named therein and U.S. Bank National Association. The Supplemental Indenture waived any defaults existing at such time arising from a failure by the Company to comply with the Indenture’s reporting covenant requiring that annual and quarterly financial statements are filed with the trustee within 15 days of the required public company filing deadlines, and extended until May 31, 2007, or at the Company’s election until June 30, 2007 (the “Covenant Reversion Date”), the date by which the Company’s failure to comply with the reporting covenant shall constitute a

default, or be the basis for an event of default under the Indenture. The Company paid consent fees of $1.0 million to the Consenting Holders. On May 30, 2007, the Company provided notice to the holders of the Senior Notes of its election to extend the Covenant Reversion Date to June 30, 2007. The Company paid additional consent fees of $0.5 million to the Consenting Holders. Because the Company did not file its Annual Report on Form 10-K for the year ended December 31, 2006 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 by June 30, 2007, it was in default of the reporting covenant under the Indenture on July 1, 2007, and received notice of such default on July 2, 2007. The Company cured such default under the Indenture by filing its 2006 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 on July 20, 2007. See note 8(f) for more information.

6. Credit Facility

Under the Indenture governing the Company's Senior Notes, the Company is permitted to incur indebtedness on a secured basis pursuant to a credit agreement, or the refinancing or replacement of a credit facility, provided that the aggregate principal amount of indebtedness thereunder outstanding at any time does not exceed the greater of a) $30.0 million minus the amount of any such indebtedness retired with the proceeds of an Asset Sale (as defined in the Indenture) and (b) 15% of Total Assets (as defined in the Indenture) of the Company. Amongst other indebtedness, the Indenture also permits the Company to incur indebtedness solely in respect of performance, surety or appeal bonds, letters of credit and letters of guarantee as required in the ordinary course of business in accordance with customary industry practices. On February 6, 2004, the Company entered into a Loan Agreement for a secured revolving credit facility as amended on June 30, 2005, May 16, 2006, November 7, 2007 and December 5, 2007 (the "Credit Facility"). The Credit Facility is a revolving credit facility expiring on October 31, 2009 with an optional one year renewal thereafter contingent upon approval by the lender, permitting maximum aggregate borrowings equal to the lesser of (i) $40.0 million, (ii) a collateral calculation based on percentages of the book values for the Company's net investment in sales-type leases, financing receivables, finished goods inventory allocated to backlog contracts and the appraised values of the expected future cash flows related to operating leases and of the Company's owned real property, reduced by certain accruals and accounts payable, and (iii) a minimum level of trailing cash collections in the preceding twenty-six week period ($71.1 million as at March 31, 2008); reduced for outstanding letters of credit and advance payment guarantees and subject to maintaining a minimum Excess Availability (as defined in the Credit Facility) of $5.0 million. As at March 31, 2008, the Company's current borrowing capacity under the Credit Facility was $20.3 million after deduction for outstanding letters of credit and advance payment guarantees of $9.4 million and the minimum Excess Availability of $5.0 million. Subsequent to March 31, 2008, the Company was successful in transferring $4.1M of these advance payment guarantees to the separate line available with the Bank of Montreal (see note 7b). The effect was to increase the Company's borrowing capacity under the Credit Facility by $4.1M. The Credit Facility bears interest at the applicable prime rate per annum or LIBOR plus a margin as specified therein 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. In addition, the Credit Facility agreement contains customary events of default, including upon an acquisition or a change of control that may have a material adverse effect on the Company or a guarantor. The Credit Facility also requires the Company to maintain, over a period of time, a minimum level of adjusted earnings before interest, taxes, depreciation and amortization including film asset amortization, stock and non-cash compensation, write downs (recoveries), asset impairment charges, and other non-cash uses of funds on a trailing four quarter basis calculated quarterly, of not less than $20.0 million (the "EBITDA Requirement"); provided, however, that the EBITDA Requirement shall be $12.5 million for the four quarters ending each of December 31, 2007, March 31,

2008, June 30, 2008 and September 30, 2008. Furthermore, the Company is required to maintain a minimum Cash and Excess Availability (as defined in the Credit Facility) balance not less than $15.0 million.

On May 5, 2008, the Company entered into an amendment to the Credit Facility with effect from January 1, 2008, whereby the minimum Cash and Excess Availability balance is reduced to $7.5 million. Under the terms of this amendment, the Company shall not be subject to the EBITDA Requirement so long as the Company is in compliance with the Cash and Excess Availability requirements. This amendment also provides for a one-year extension of the expiration of the Credit Facility to October 31, 2010 and adjusts the collateral calculation for certain finished goods inventory items to be installed under joint revenue sharing arrangements, which could result in an increase to maximum aggregate borrowings of up to $3.0 million in the future. In the event that the Company's Excess Availability falls below the $5.0 million requirement, the excess borrowings above the minimum availability requirement must be remedied immediately. Failure to remedy will result in a Cash Dominion Event and an Event of Default (as defined in the Credit Facility). The failure to comply with the Cash and Excess Availability requirement of $7.5 million would continue to result in an immediate Cash Dominion Event and Event of Default. If the Credit Facility were to be terminated by either the Company or the lender, the Company would have the ability to pursue another source of secured financing pursuant to the terms of the Indenture.

As of March 31, 2008, the Company had not drawn down any funds under the Credit Facility and was in compliance with all covenants under the agreement.

Under the terms of the Credit Facility, the Company has to comply with several reporting requirements including the delivery of audited consolidated financial statements within 120 days of the end of the fiscal year. In March 2007, the Company delayed the filing of its 2006 Annual Report on Form 10-K for the year ended December 31, 2006 beyond the filing deadline in order to restate financial statements for certain periods during the fiscal years 2002 — 2006. On March 27, 2007, the Credit Facility lender waived the requirement for the Company to deliver audited consolidated financial statements within 120 days of the end of the fiscal year ended December 31, 2006, provided such statements and documents were delivered on or before June 30, 2007. On June 27, 2007, the Credit Facility lender agreed that an event of default would not be deemed to have occurred unless the Company's 2006 Annual Report on Form 10-K filing did not occur by July 31, 2007 or upon the occurrence and continuance of an event of default under the Company's Indenture governing its Senior Notes which had not been cured within the applicable grace period. The Company cured such default under the Indenture by filing its 2006 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 on July 20, 2007, within the applicable grace period.

7. Commitments

(a) The Company's lease commitments consist of rent and equipment under operating leases. The Company accounts for any incentives provided over the term of the lease. Total minimum annual rental payments to be made by the Company under operating leases as at March 31, 2008 for each of the years ended December 31, are as follows:

2008 (nine months remaining)	$ 4,005
2009	5,144
2010	5,536
2011	5,678
2012	5,706
Thereafter	5,082
	$31,151

Rent expense was $1.4 million for three months ended March 31, 2008 (March 31, 2007 — $1.2 million) net of sublease rental of less than $0.1 million (March 31, 2007 — $0.2 million).

Recorded in the accrued liabilities balance as at March 31, 2008 is $6.5 million (December 31, 2007 — $6.6 million) related to lease inducements and accrued rent.

Purchase obligations under supplier arrangements as at March 31, 2008 were $1.4 million (December 31, 2007 — $1.4 million).

(b) As at March 31, 2008, the Company has letters of credit and advance payment guarantees of $9.4 million outstanding, of which the entire balance has been secured by the Credit Facility. The Company also has available a $5.0 million facility for performance guarantees and letters of credit through the Bank of Montreal for use solely in conjunction with guarantees fully insured by Export Development Canada. As at March 31, 2008, the Company had $nil (December 31, 2007 — $nil) outstanding under this facility. Subsequent to March 31, 2008, the Company transferred $4.1M of these advance payment guarantees from the Credit Facility to this separate line available with the Bank of Montreal.

(c) The Company compensates its sales force with both fixed and variable compensation. Commissions on the sale or lease of the Company's theater system components are due in graduated amounts from the time of collection of the customer's first payment to the Company up to the collection of the customer's last initial payment. At March 31, 2008, $0.2 million (December 31, 2007 — $0.2 million) of commissions will be payable in future periods if the Company collects its initial payments as anticipated.

8. Contingencies and Guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with Statements of Financial Accounting Standards No. 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 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 the Company's 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 judgment or be settled for significant amounts, they could have a material adverse effect on the Company's results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(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. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three. On June 12, 2006, the U.S. District Court for the Central District of California, Western Division, entered a stay in the proceedings against In-Three pending the arbitration of disputes between the Company and 3DMG. Arbitration was initiated by the Company against 3DMG on May 15, 2006 before the International Centre for Dispute Resolution in New York, alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties' license agreement. On June 21, 2007, the Arbitration Panel unanimously denied 3DMG's Motion for Summary Judgment filed on April 11, 2007 concerning the Company's claims and 3DMG's counterclaims. On October 5, 2007, 3DMG amended its

counterclaims and added counterclaims from UNIPAT.ORG relating to fees allegedly owed to UNIPAT.ORG by the Company. An evidentiary hearing on liability issues originally scheduled for June 2008 has been postponed until a later date to be set by the Arbitration Panel. Further proceedings on damages issues will be scheduled if and when necessary. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of 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 the arbitration.

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages of approximately $3.7 million before the International Court of Arbitration of the International Chambers of Commerce (the “ICC”) with respect to the breach by Electronic Media Limited (“EML”) of its December 2000 agreement with the Company. In 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 in damages as a result of E-Citi’s breach of a September 2000 lease agreement. The damages sought against E-Citi included the original claim sought against EML. An arbitration hearing took place in November 2005 against E-Citi, which included all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company’s favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company’s theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the Panel issued a final award in favor of the Company in the amount of $11,309,496, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company will seek to enforce and collect in full. As collectibility is not assured, the Company will not record the impact of the amount awarded until the amounts have been received.

(c) In June 2004, Robots of Mars, Inc. (“Robots”) initiated an arbitration proceeding against the Company in California with the American Arbitration Association pursuant to an arbitration provision in a 1994 film production agreement between Robots’ predecessor-in-interest and a subsidiary of the Company, asserting claims for breach of contract, fraud, breach of fiduciary duty and intentional interference with the contract. Robots is seeking an accounting of the Company’s revenues and an award of all sums alleged to be due to Robots under the production agreement, as well as punitive damages. The Company intends to vigorously defend the arbitration proceeding and believes the amount of the loss, if any, that may be suffered in connection with this proceeding will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of such arbitration.

(d) The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York. On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff’s counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company’s common stock between February 27, 2003 and July 20, 2007, alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company’s revenue recognition of theater system installations, and failing to disclose material information concerning the Company’s revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company’s auditors, as a defendant. The lawsuit seeks unspecified compensatory damages, costs, and expenses. The defendants filed a motion to dismiss the amended complaint on

December 10, 2007, which is still pending. Plaintiffs filed their opposition to this motion on January 22, 2008. Defendants submitted a reply to plaintiffs' opposition on February 11, 2008. The lawsuit is at a very early stage and as a result the Company is not able to estimate a potential loss exposure and therefore no amounts have been accrued. The Company will vigorously defend the matter, although no assurances can be given with respect to the outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(e) A class action lawsuit was filed on September 20, 2006 in the Ontario Superior Court of Justice against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. A hearing regarding the combined leave to amend and certification motions has been scheduled for the week of June 2, 2008. The lawsuit is in a very early stage and seeks unspecified compensatory and punitive damages, as well as costs and expenses. As a result, the Company is unable to estimate a potential loss exposure and therefore no amounts have been accrued. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(f) On September 7, 2007, Catalyst Fund Limited Partnership II ("Catalyst"), a holder of the Company's Senior Notes, commenced an application against the Company in the Ontario Superior Court of Justice for a declaration of oppression pursuant to sections 229 and 241 of the Canada Business Corporations Act ("CBCA") and for a declaration that the Company is in default of the Indenture governing its Senior Notes. The allegations of oppression are substantially the same as allegations Catalyst made in a May 10, 2007 complaint filed against the Company in the Supreme Court of the State of New York, and subsequently withdrawn on October 12, 2007, wherein Catalyst challenged the validity of the consent solicitation through which the Company requested and obtained a waiver of any and all defaults arising from a failure to comply with the reporting covenant under the Indenture and alleged common law fraud. Catalyst has also requested the appointment of an inspector and an order that an investigation be carried out pursuant to section 229 of the CBCA. In addition, between March 2007 and October 2007, Catalyst sent the Company eight purported notices of default or acceleration under the Indenture. It is the Company's position that no event of default (as that term is defined in the Indenture) has occurred under the Indenture and, accordingly, that Catalyst's purported acceleration notice is of no force or effect. The hearing date has not yet been finalized by the Court. At this stage of the litigation, the Company is not able to estimate a potential loss exposure and therefore no amounts have been accrued. The Company believes this application is entirely without merit and plans to contest it vigorously and seek costs from Catalyst, although no assurances can be given with respect to the outcome of the proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(g) In a related matter, on December 21, 2007, U.S. Bank National Association, trustee under the Indenture, filed a complaint in the Supreme Court of the State of New York against the Company and Catalyst, requesting a declaration that the theory of default asserted by Catalyst before the Ontario Superior Court of Justice is without merit and further that Catalyst has failed to satisfy certain prerequisites to bondholder action, which are contained in the Indenture (the "U.S. Bank's New York Action"). As a result of this action, on January 10, 2008, the Company filed a motion with the Ontario Superior Court of Justice seeking a stay of all or part of the action Catalyst initiated before that court. On February 6, 2008, the Company served a Verified Answer to U.S. Bank's New York Action. On February 22, 2008, Catalyst filed a Verified Answer to U.S. Bank's New York Action and Cross-Claims against

the Company in the same proceeding. The Cross-Claims repeat the allegations and seek substantially the same relief as in Catalyst's application in the Ontario Superior Court of Justice and as were raised in Catalyst's May 10, 2007 complaint filed against the Company in the Supreme Court of the State of New York. The Company continues to believe that Catalyst's claims are entirely without merit. The litigation is at a preliminary stage and, as a result, the Company is unable to comment on the outcome of the proceedings or estimate the potential loss exposure, if any.

(h) 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.

Financial Guarantees

In the normal course of business, the Company enters into agreements that may contain features that meet the FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") definition of a guarantee. FIN 45 defines a guarantee to be a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of its stock or provision of services) to a third party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or (c) failure of another third party to pay its indebtedness when due.

The Company has provided no significant financial guarantees to third parties.

Product Warranties

The following summarizes the accrual for product warranties that was recorded as part of accrued liabilities in the condensed consolidated balance sheets:

Balance as at December 31, 2007	$26
Payments	—
Warranties issued	—
Revisions	—
Balance as at March 31, 2008	$26

Director/Officer Indemnifications

The Company's General By-law contains an indemnification of its directors/officers, former directors/officers and persons who have acted at its request to be a director/officer of an entity in which the Company is a shareholder or creditor, to indemnify them, to the extent permitted by the *Canada Business Corporations Act*, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of the Company. The nature of the indemnification prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. As contemplated under Section 124 of the Canada Business Corporations Act, the Company has acquired insurance coverage with a yearly limit of $70.0 million in respect of potential claims against its directors and officers and in respect of losses for which the Company may be required or permitted by law to indemnify such directors and officers. No amount has been accrued in the condensed consolidated balance sheet as at March 31, 2008 and December 31, 2007, with respect to this indemnity.

Other Indemnification Agreements

In the normal course of the Company's operations, it provides indemnifications to counterparties in transactions such as: theater system lease and sale agreements and the supervision of installation or servicing of the theater systems; film production, exhibition and distribution agreements; real property lease agreements; and employment agreements. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of litigation claims that may be suffered by the counterparty as a consequence of the transaction or the Company's breach or non-performance under these agreements. While the terms of these indemnification agreements vary based upon the contract, they normally extend for the life of the agreements. A small number of agreements do not provide for any limit on the maximum potential amount of indemnification, however virtually all of the Company's theater system lease and sale agreements limit such maximum potential liability to the purchase price of the system. The fact that the maximum potential amount of indemnification required by the Company is not specified in some cases prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Company has not made any significant payments under such indemnifications and no amount has been accrued in the accompanying condensed consolidated financial statements with respect to the contingent aspect of these indemnities.

9. Condensed Consolidated Statements of Operations Supplemental Information

Included in selling, general and administrative expenses for the three months ended March 31, 2008 is a loss of $0.2 million (2007 — gain of $0.1 million), for net foreign exchange gains or losses related to the translation of foreign currency denominated monetary assets, liabilities and integrated subsidiaries.

10. Condensed Consolidated Statements of Cash Flows Supplemental Information

(a) Changes in other non-cash operating assets and liabilities are comprised of the following:

	Three Months Ended March 31,	
	2008	2007
Decrease (increase) in:		
Accounts receivable	$ 4,144	$ 7,285
Financing receivables	1,141	100
Inventories	534	249
Prepaid expenses	(1,534)	880
Commissions and other deferred selling expenses	(332)	(249)
Insurance recoveries	1,050	—
Increase (decrease) in:		
Accounts payable	(3,526)	(6,120)
Accrued liabilities	(2)	63
Deferred revenue	7,968	960
	$ 9,443	$ 3,168

(b) Cash payments made on account of:

	Three Months Ended March 31,	
	2008	2007
Income taxes	$ 138	$ 288
Interest	$ 97	$ 98

(c) Depreciation and amortization are comprised of the following:

	Three Months Ended March 31,	
	2008	2007
Film assets(1)	$2,311	$1,415
Property, plant and equipment	1,401	1,219
Other intangible assets	133	136
Deferred financing costs	358	244
	$4,203	$3,014

(1) Included in film asset amortization is a charge of $0.7 million (2007 — $nil) relating to changes in estimates based on the ultimate recoverability of future films.

11. Receivable Provisions, Net of (Recoveries)

	Three Months Ended March 31,	
	2008	2007
Accounts receivable provisions, net of (recoveries)	$ 730	$ (11)
Financing receivables, net of (recoveries)	18	17
Receivable provisions, net of (recoveries)	$ 748	$ 6

12. 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, investment 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 favourable or unfavourable resolution of various tax examinations. There was no change in the Company's estimates of projected future earnings and the recoverability of its deferred tax assets based on an analysis of both positive and negative evidence.

As at March 31, 2008, the Company had net deferred income tax assets of $nil (December 31, 2007 — $nil). As at March 31, 2008, the Company had a gross deferred income tax asset of $52.9 million, against which the Company is carrying a $52.9 million valuation allowance.

As at March 31, 2008 and December 31, 2007, the Company had total unrecognized tax benefits of $4.2 million and $4.0 million for international withholding taxes, respectively. All of the unrecognized tax benefits could impact the Company's effective tax rate if recognized. While the Company believes it has adequately provided for all tax

positions, amounts asserted by taxing authorities could differ from the Company's accrued position. Accordingly, additional provisions on federal, state, provincial and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

Consistent with its historical financial reporting, the Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the interest expense in its condensed consolidated statement of operations rather than income tax expense. In conjunction with FIN 48, the Company recognized approximately $0.1 million in potential interest and penalties associated with uncertain tax positions for the three months ended March 31, 2008 and 2007, respectively.

13. Capital Stock

(a) Stock-Based Compensation

The Company has five stock-based compensation plans that are described below. The compensation costs recorded in the condensed consolidated statement of operations for these plans were $0.8 million and $1.0 million for the three months ended March 31, 2008 and 2007, respectively. No income tax benefit is recorded in the condensed consolidated statement of operations for these costs.

Stock Option Plan

The Company's Stock Option Plan, which is shareholder approved, permits the grant of options to employees, directors and consultants.

The Company's policy is to issue new shares from treasury to satisfy stock options which are exercised.

There were no common share options granted to employees for the three months ended March 31, 2008. The weighted average fair value of all common share options, excluding those in excess of cap limits discussed below, granted to employees for the three months ended March 31, 2007 at the date of grant was $1.54 per share. The Company utilizes a Binomial Model to determine the fair value of common share options at the grant date. The following assumptions were used:

	Three Months Ended March 31,	
	2008	2007
Average risk-free interest rate	N/A	4.72%
Market risk premium	N/A	5.73%
Beta	N/A	0.82
Expected option life (in years)	N/A	5.34
Expected volatility	N/A	61.00%
Annual termination probability	N/A	11.87%
Dividend yield	N/A	0.00%

As the Company stratifies its employees into two groups in order to calculate fair value under the Binomial Model, ranges of assumptions used are presented for market risk premium, Beta, expected option life and annual termination probability. The Company uses historical data to estimate option exercise and employee termination within the valuation model; various groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected volatility rate is estimated based on the Company's historical share-price volatility. The market risk premium reflects the amount by which the return on the market portfolio exceeds the risk-free rate, where the return on the market portfolio is based on the Standard and Poors

500 index. The Company utilizes an expected term method to determine expected option life based on such data as vesting periods of awards, historical data that includes past exercise and post-vesting cancellations and stock price history.

As at March 31, 2008, the Company has reserved a total of 6,749,824 (December 31, 2007— 6,837,157) common shares for future issuance under the Stock Option Plan, of which options in respect of 5,740,247 common shares are outstanding at March 31, 2008. All awards of stock options are made at fair market value of the Company's Common Shares on the date of grant. "Fair Market Value" of a Common Share on a given date means the higher of the closing price of a Common Share on the grant date (or the most recent trading date if the grant date is not a trading date) on the NASDAQ/National Market System, The Toronto Stock Exchange (the "TSX") and such national exchange, as may be designated by the Company's Board of Directors. The options generally vest between one and five years and expire 10 years or less from the date granted. The Stock Option Plan provides that vesting will be accelerated if there is a change of control, as defined in the plan. At March 31, 2008, options in respect of 4,472,010 common shares were vested and exercisable.

The following table summarizes certain information in respect of option activity under the Stock Option Plan for the periods ended March 31:

	Number of Shares		Weighted Average Exercise Price per Share	
	2008	**2007**	**2008**	**2007**
Options outstanding, beginning of year	5,908,080	5,100,995	$ 6.71	$ 7.12
Granted	—	16,390	—	4.40
Exercised	(87,333)	—	3.04	—
Forfeited	(15,338)	(16,350)	7.20	8.12
Expired	(57,500)	—	26.83	—
Cancelled	(7,662)	(13,050)	11.04	6.87
Options outstanding, end of period	5,740,247	5,087,985	6.56	7.11
Options exercisable, end of period	4,472,010	4,625,132	6.79	7.07

During the three months ended March 31, 2008, the Company cancelled 7,662 stock options from its Stock Option Plan (2007 — 13,050) surrendered by Company employees for $nil consideration. Compensation cost recognized up to the cancellation date was not reversed for options cancelled.

As at March 31, 2008, 5,394,782 options were fully vested or are expected to vest with a weighted average exercise price of $6.61, aggregate intrinsic value of $8.7 million and weighted average remaining contractual life of 3.9 years. As at March 31, 2008, options that are exercisable have an intrinsic value of $7.2 million and a weighted average remaining contractual life of 3.6 years. The intrinsic value of options exercised in the three months ended March 31, 2008 was $0.3 million (2007 — $nil).

In the fourth quarter of 2006, the Company determined it had exceeded, by approximately 1.6% (of which nil were granted in the first quarter of 2007), certain cap limits for grants set by its Stock Option Plan. The options issued in excess of the cap limits were treated as liability-based awards commencing in the third quarter of 2006 as the Company determined it intended to settle the options in cash. The fair value of the options were recalculated each period. For purposes of calculating the fair value of the liability awards in the first quarter of 2007, the Company accelerated the accounting vesting period to March 31, 2007 in order to align with the expected service period of the options. Immediately before the settlement date, the Company had accrued a liability of $0.7 million. The Company recorded an expense of $nil for the quarter ended March 31, 2008 and $0.3 million for the quarter

ended March 31, 2007 related to these options. In June 2007, 195,286 options were voluntarily surrendered by the Company's Co-Chief Executive Officers (the "Co-CEOs") and members of the Board of Directors for no consideration, as a result $0.2 million in accrued liabilities was credited to Other Equity and the Company settled the remaining options for cash of $0.5 million.

Options to Non-Employees

There were no common share options granted to non-employees during the three months ended March 31, 2008. During the three months ended March 31, 2007, an aggregate of 8,890 options to purchase the Company's common stock with an average exercise price of $4.31 were granted to certain advisors and strategic partners of the Company. These options have a maximum contractual life of seven years. Certain of these options vest immediately and the remainder upon the occurrence of certain events. These options were granted under the Stock Option Plan.

As at March 31, 2008, non-employee options outstanding amounted to 315,804 options (2007 — 125,549) with a weighted average exercise price of $6.53 (2007 — $8.24). 238,979 options (2007 — 115,549) were exercisable with an average weighted exercise price of $6.98 (2007 — $8.18) and the vested options have an aggregate intrinsic value of $0.2 million. The weighted average fair value of options granted to non-employees during the three months ended March 31, 2007 at the date of grant was $2.42 per share, utilizing a Binomial Model with the following underlying assumptions for periods ended March 31:

	Three Months Ended March 31,	
	2008	2007
Average risk-free interest rate	N/A	4.71%
Contractual option life	N/A	6 years
Average expected volatility	N/A	61.00%
Dividend yield	N/A	0.00%

For the three months ended March 31, 2008, the Company recorded a charge of less than $0.1 million (2007 — less than $0.1 million) to film cost of sales related to the non-employee stock options.

Restricted Common Shares

Under the terms of certain employment agreements dated July 12, 2000, the Company is required to issue either 160,000 restricted common shares or pay their cash equivalent. The restricted shares are required to be issued, or payment of their cash equivalent, upon request by the employees at any time. The aggregate intrinsic value of the awards outstanding at March 31, 2008 is $1.1 million (December 31, 2007 — $1.1 million). The Company accounts for the obligation as a liability, which is classified within accrued liabilities. The Company has recorded an expense of less than $0.1 million and $0.2 million for the three months ended March 31, 2008 and 2007, respectively, due to the changes in the Company's stock price during the period.

Stock Appreciation Rights

In the first quarter of 2007, 600,000 stock appreciation rights ("SARs") with a weighted average exercise price of $4.34 per right were granted to certain Company executives. In the fourth quarter of 2007, an additional 1,680,000 SARs with a weighted average exercise price of $6.86 were granted to certain Company executives. The SARs vesting ranges from immediately to five years. The SARs were measured at fair value at the date of grant and are remeasured each period until settled. At March 31, 2008, the SARs had an average fair value of $2.60 per right (December 31, 2007 — $2.62). The Company accounts for the obligation of these SARs as a liability, which is classified within accrued liabilities. The Company has recorded a $0.6 million charge for the quarter ended

March 31, 2008 (March 31, 2007 — $0.3 million) to selling, general and administrative expenses related to these SARs. The following assumptions were used for measuring the fair value of the SARs:

	As at March 31, 2008	As at December 31, 2007
Average risk-free interest rate	2.69%	3.65%
Expected option life (in years)	0 - 5.21	0 - 5.76
Expected volatility	62%	62%
Annual termination probability	0% - 11.20%	0% - 11.20%
Dividend yield	0%	0%

Warrants to Non-Employees

There were no warrants issued during the three months ended or outstanding as at March 31, 2008 and 2007.

(b) Loss per Share

Reconciliations of the numerator and denominator of the basic and diluted per-share computations are comprised of the following:

	Three Months Ended March 31,	
	2008	2007
Net loss from continuing operations applicable to common shareholders	$ (10,259)	$ (4,607)
Weighted average number of common shares (000's):		
Issued and outstanding, beginning of period	40,423	40,286
Weighted average number of shares issued during the period	21	—
Weighted average number of shares used in computing basic loss per share	40,444	40,286
Weighted average number of shares used in computing diluted loss per share	40,444	40,286

The calculation of diluted loss per share for the three months ended March 31, 2008 and 2007 excludes all shares that are issuable upon exercise of options as the impact of these exercises would be antidilutive.

(c) Shareholders' Deficiency

The following summarizes the movement of Shareholders' Deficiency for the three months ended March 31, 2008:

Balance as at December 31, 2007	$ (85,370)
Issuance of common shares	266
Net loss	(10,259)
Adjustment to other equity for employee stock options granted	168
Adjustment to other equity for non-employee stock options granted	26
Adjustments to accumulated other comprehensive income to amortize the prior service credits related to pensions and record the prior service cost	(45)
Balance as at March 31, 2008	$ (95,214)

(d) Subsequent Event

On May 5, 2008, the Company entered into an agreement with The Douglas Group, the Company's largest shareholder, for the sale of 2,726,447 of the Company's common shares for a total purchase price of $18.0 million, or approximately $6.60 per share. The Douglas Group, which now owns 19.9% of the Company's common shares, has agreed to a five-year standstill with the Company whereby it will refrain from certain activities, such as increasing its percentage ownership in the Company and entering into various arrangements with the Company, such as fundamental or change-of-control transactions. The Company has granted The Douglas Group registration rights in connection with the newly-acquired shares. The private placement closed on May 8, 2008.

14. Segmented Information

The Company has six reportable segments identified by category of product sold or service provided: IMAX systems; film production and IMAX DMR; film distribution; film post-production; theater operations; and other. The IMAX systems segment designs, manufactures, sells or leases and maintains IMAX theater projection system equipment. The film production and IMAX DMR segment produces films and performs film re-mastering services. The film distribution segment distributes films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The theater operations segment owns and operates certain IMAX theaters. The other segment includes camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements included in the Company's 2007 Form 10-K.

Transactions between the film production and IMAX DMR segment and the film post-production segment are valued at exchange value. Inter-segment profits are eliminated upon consolidation, as well as for the disclosures below.

Transactions between the other segments are not significant.

The Company's Chief Operating Design Makers ("CODM") as defined in Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise Related Information" ("SFAS 131"), assess segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, research and development costs, amortization of intangibles, receivables provisions (recoveries), interest revenue, interest expense and tax provision (recovery) are not allocated to the segments.

	Three Months Ended March 31,	
	2008	2007
Revenue		
IMAX systems	$ 12,489	$13,118
Films		
Production and IMAX DMR	2,916	4,592
Distribution	2,753	3,410
Post-production	1,724	1,074
Theater operations	2,831	4,131
Other	807	522
Total	$ 23,520	$26,847
Gross margins		
IMAX systems	$ 7,187	$ 7,566
Films		
Production and IMAX DMR	306	2,382
Distribution	1,374	1,356
Post-production	1,551	102
Theater operations	(302)	327
Other	20	(192)
Total	$ 10,136	$11,541

	March 31, 2008	December 31, 2007
Assets		
IMAX systems	$ 162,850	$ 164,588
Films		
Production and IMAX DMR	22,077	26,073
Distribution	5,189	5,239
Post-production	7,523	5,094
Theater operations	2,725	3,733
Other	3,339	3,255
Total	$ 203,703	$ 207,982

15. Discontinued Operations

(a) Rhode Island Providence Theater

On December 31, 2007, the Company entered into a lease termination agreement, which extinguished all of its obligations to its landlord with respect to the Company's owned and operated Providence IMAX theater. As a result of the lease termination, the Company recorded a non-cash gain of $1.5 million in December 2007, associated with the reversal of deferred lease credits recorded in prior periods. In a related transaction, the Company sold the theater

projection system and inventory for the Providence IMAX theater to a third party theater exhibitor for $1.0 million (consisting of $0.6 million cash and $0.4 million of discounted future minimum payments) which was recorded as a gain from discontinued operations in December 2007. The above transactions are reflected as discontinued operations as the continuing cash flows are not generated from either a migration or a continuation of activities.

In addition, the prior years' amounts in the condensed consolidated statements of operations and the condensed consolidated statements of cash flows have been adjusted to reflect the reclassification of the Providence owned and operated theater as a discontinued operation.

(b) Miami Theater

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 was 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 had been estimated between $0.9 million and $2.3 million. Prior to 2006, the Company paid out $0.8 million with respect to amounts owing to the landlord. The Company paid out an additional $0.1 million and also accrued $0.8 million in net loss from discontinued operations related to the Miami IMAX theater in the third quarter of 2006. On January 5, 2007, as a result of a settlement negotiated between both parties, the Company paid out a final $0.8 million, extinguishing its obligations to the landlord. This final payment of $0.8 million was accrued by the Company in 2006.

16. Employees Pension and Postretirement Benefits

(a) Defined Benefit Plan

The Company has an unfunded U.S. defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering its two Co-CEOs. The SERP provides for a lifetime retirement benefit from age 55 determined as 75% of the member's best average 60 consecutive months of earnings over the member's employment history.

Under the original terms of the SERP, once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. On March 8, 2006, the Company and the Co-CEOs negotiated an amendment to the SERP which reduced the related pension expense to the Company effective January 1, 2006. Under the terms of the SERP amendment, to reduce ongoing costs to the Company, the cost of living adjustment and surviving spouse benefits previously owed to the Co-CEOs are each reduced by 50%, subject to a recoupment of a percentage of such benefits upon a change of control of the Company, and the net present value of the reduced pension benefit payments is accelerated and paid out upon a change of control of the Company. The amendment resulted in reduction of the accrued pension liability by $6.2 million, a reduction in other assets of $3.4 million and a past services credit of $2.8 million. The benefits were 50% vested as at July 2000, the SERP initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement or upon a change in control shall be 100%.

On May 4, 2007, the Company amended the SERP to provide for the determination of benefits to be 75% of the member's best average 60 consecutive months of earnings over the member's employment history. The actuarial liability was remeasured to reflect this amendment. The amendment resulted in a $1.0 million increase to the pension liability and a corresponding $1.0 million charge to other comprehensive income. As at March 31, 2008, one of the Co-CEO's benefits was 100% vested and the other Co-CEO's benefits was approximately 88% vested.

Effective March 1, 2006, the Company changed the form of benefit payment. A Co-CEO whose employment terminates other than for cause prior to August 1, 2010 will receive SERP benefits in the form of monthly annuity payments until the earlier of a change of control or August 1, 2010 at which time the Co-CEO shall receive the remaining benefits in the form of a lump sum payment. A Co-CEO whose employment terminates other than for cause on or after August 1, 2010 shall receive benefits in the form of a lump sum payment.

The amounts accrued for the SERP are determined as follows:

	Three Months Ended March 31, 2008
Projected benefit obligation:	
Obligation, beginning of period	$ 27,136
Service cost	198
Interest cost	313
Amendments	—
Actuarial (gain) loss	—
Obligation, end of period and unfunded status	$ 27,647

The following table provides disclosure of pension expense for the SERP:

	Three Months Ended March 31,	
	2008	2007
Service cost	$198	$172
Interest cost	313	339
Amortization of prior service credits	(62)	—
Pension expense	$449	$511

The accumulated benefit obligation for the SERP was $27.6 million at March 31, 2008 and $27.1 million at December 31, 2007.

The following amounts were included in accumulated other comprehensive income and will be recognized as components of net periodic benefit cost in future periods:

	As at March 31, 2008	As at December 31, 2007
Prior service credits	$ (40)	$ (102)
Unrecognized actuarial gain	(1,069)	(1,069)
	$ (1,109)	$ (1,171)

No contributions are expected to be made for the SERP during 2008.

The following benefit payments are expected to be made as per the current SERP assumptions and the terms of the SERP in each of the next five years:

2008	$ —
2009	—
2010	32,135(1)
2011	—
2012	—

(1) Each of the Co-CEOs shall receive a lump sum payment in 2010 provided his employment terminates other than for cause on or after August 1, 2010. The SERP assumptions include the payment of a lump sum payment.

At the time the Company established the SERP, it also took out life insurance policies on its two Co-CEOs with coverage amounts of $21.5 million in aggregate to which the Company is the beneficiary. The Company may use the cash surrender value proceeds of the life insurance policies taken on its Co-CEOs towards the benefits due and payable under the SERP, although there can be no assurance that the Company will ultimately do so. At March 31, 2008, the cash surrender value of the insurance policies is $5.4 million (December 31, 2007 — $5.2 million) and has been included in other assets.

(b) Defined Contribution Plan

The Company also maintains defined contribution pension plans for its employees, including its executive officers. The Company makes contributions to these plans on behalf of employees in an amount up to 5% of their base salary subject to certain prescribed maximums. During the three months ended March 31, 2008 and 2007, the Company contributed and expensed an aggregate of $0.2 million and $0.2 million, respectively, to its Canadian plan and an aggregate of $0.1 million and $0.1 million, respectively, to its defined contribution employee pension plan under Section 401(k) of the U.S. Internal Revenue Code.

(c) Postretirement Benefits

The Company has an unfunded postretirement plan covering its two Co-CEOs. The plan provides that the Company will maintain health benefits for the Co-CEOs until they become eligible for medicare and, thereafter, the Company will provide Medicare supplement coverage as selected by the Co-CEOs. The postretirement benefits obligation as at March 31, 2008 is $0.4 million (December 31, 2007 — $0.4 million). The Company has expensed less than $0.1 million for the three months ended March 31, 2008, and 2007, respectively.

17. Impact of Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (SFAS 157) which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP 157-2), “Effective Date of FASB Statement No. 157.” FSP 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities that are not remeasured at fair value on a recurring basis until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact of this statement on its non-financial assets and non-financial liabilities included in the consolidated financial statements. For financial assets and financial liabilities, SFAS 157 was effective for the Company on January 1, 2008 as disclosed in Note 2.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 160, "Non-controlling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51" ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its Consolidated Financial Statements by establishing accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the potential impact of this statement on its consolidated financial statements.

18. Financial Instruments

The Company maintains cash with various major financial institutions. The Company's cash is invested with highly rated financial institutions.

The Company's accounts receivables and financing receivables are subject to credit risk. The Company's accounts receivable and financing receivables are concentrated with the theater exhibition industry and film entertainment industry. To minimize the Company's credit risk, the Company retains title to underlying theater systems leased, performs initial and ongoing credit evaluations of its customers and makes ongoing provisions for its estimate of potentially uncollectible amounts. The Company believes it has adequately provided for related exposures surrounding receivables and contractual commitments.

The Company is exposed to market risk from changes in foreign currency rates. A majority portion of the Company's revenues is denominated in U.S. dollars while a substantial portion of its costs and expenses are denominated in Canadian dollars. A portion of the net U.S. dollar cash flows of the Company is periodically 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 cash flows are converted to U.S. dollars generally through the spot market. The Company also has cash receipts under leases denominated in Japanese yen, Canadian dollar and Euros which are converted to U.S. dollars generally through the spot market. As at March 31, 2008, no foreign currency forward contracts were outstanding. The Company does not use financial instruments for trading or other speculative purposes.

19. 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 70MM 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.

Supplemental consolidating balance sheets as at March 31, 2008:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Assets					
Cash and cash equivalents	$ 13,105	$ 4,458	$ 498	$ —	$ 18,061
Accounts receivable	16,806	3,671	155	—	20,632
Financing receivables	57,402	648	—	—	58,050
Inventories	21,458	89	93	—	21,640
Prepaid expenses	3,367	332	23	—	3,722
Intercompany receivables	28,327	47,360	13,108	(88,795)	—
Film assets	2,177	—	—	—	2,177
Property, plant and equipment	23,158	791	—	—	23,949
Other assets	14,107	—	—	—	14,107
Goodwill	39,027	—	—	—	39,027
Other intangible assets	2,338	—	—	—	2,338
Investments in subsidiaries	34,725	—	—	(34,725)	—
Total assets	$ 255,997	$ 57,349	$ 13,877	$ (123,520)	$ 203,703
Liabilities					
Accounts payable	$ 4,401	$ 4,373	$ 1	$ —	$ 8,775
Accrued liabilities	57,559	5,504	25	—	63,088
Intercompany payables	65,620	44,728	7,962	(118,310)	—
Deferred revenue	64,051	2,953	50	—	67,054
Senior Notes due 2010	160,000	—	—	—	160,000
Total liabilities	351,631	57,558	8,038	(118,310)	298,917
Shareholders' deficit					
Capital stock	122,721	—	117	(117)	122,721
Other equity	3,248	46,960	—	(45,926)	4,282
Retained earnings (deficit)	(223,666)	(46,555)	5,722	40,833	(223,666)
Accumulated other comprehensive income (loss)	2,063	(614)	—	—	1,449
Total shareholders' equity (deficiency)	(95,634)	(209)	5,839	(5,210)	(95,214)
Total liabilities & shareholders' equity (deficiency)	$ 255,997	$ 57,349	$ 13,877	$ (123,520)	$ 203,703

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 $34.7 million as at March 31, 2008.

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)

Supplemental consolidating balance sheets as at December 31, 2007:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Assets					
Cash and cash equivalents	$ 11,182	$ 5,329	$ 390	$ —	$ 16,901
Accounts receivable	22,450	2,821	234	—	25,505
Financing receivables	58,428	664	—	—	59,092
Inventories	21,874	90	86	—	22,050
Prepaid expenses	2,010	156	21	—	2,187
Intercompany receivables	29,538	45,455	11,962	(86,955)	—
Film assets	2,042	—	—	—	2,042
Property, plant and equipment	22,894	814	—	—	23,708
Other assets	15,093	—	—	—	15,093
Goodwill	39,027	—	—	—	39,027
Other intangible assets	2,377	—	—	—	2,377
Investments in subsidiaries	32,864	—	—	(32,864)	—
Total assets	$ 259,779	$ 55,329	$ 12,693	$ (119,819)	$ 207,982
Liabilities					
Accounts payable	$ 6,989	$ 5,309	$ 2	$ —	$ 12,300
Accrued liabilities	55,797	6,132	38	—	61,967
Intercompany payables	66,770	42,478	7,061	(116,309)	—
Deferred revenue	56,013	2,956	116	—	59,085
Senior Notes due 2010	160,000	—	—	—	160,000
Total liabilities	345,569	56,875	7,217	(116,309)	293,352
Shareholders' deficiency					
Capital stock	122,455	—	117	(117)	122,455
Other equity	3,055	46,959	—	(45,926)	4,088
Retained earnings (deficit)	(213,407)	(47,892)	5,359	42,533	(213,407)
Accumulated other comprehensive income (loss)	2,107	(613)	—	—	1,494
Total shareholders' equity (deficiency)	$ (85,790)	$ (1,546)	$ 5,476	$ (3,510)	$ (85,370)
Total liabilities and shareholders' equity (deficiency)	$ 259,779	$ 55,329	$ 12,693	$ (119,819)	$ 207,982

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 $32.9 million.

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)

Supplemental consolidating statements of operations for the three months ended March 31, 2008:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Revenues					
Equipment and product sales	$ 6,786	$ 146	$ 5	$ (239)	$ 6,698
Services	9,520	4,688	171	(172)	14,207
Rentals	1,462	70	12	—	1,544
Finance income	1,061	10	—	—	1,071
Other revenues	(94)	(207)	—	301	—
	18,735	4,707	188	(110)	23,520
Cost of goods sold, services and rentals					
Equipment and product sales	3,170	(42)	2	(165)	2,965
Services	6,258	3,478	105	(152)	9,689
Rentals	730	—	—	—	730
Other	—	(207)	—	207	—
	10,158	3,229	107	(110)	13,384
Gross margin	8,577	1,478	81	—	10,136
Selling, general and administrative expenses	12,535	134	(282)	—	12,387
Research and development	2,488	—	—	—	2,488
Amortization of intangibles	133	—	—	—	133
(Income) loss from equity-accounted investees	(1,700)	—	—	1,700	—
Receivable provisions, net of (recoveries)	748	—	—	—	748
(Loss) earnings from operations	(5,627)	1,344	363	(1,700)	(5,620)
Interest income	126	—	—	—	126
Interest expense	(4,496)	—	—	—	(4,496)
Net (loss) earnings from continuing operations before income taxes	(9,997)	1,344	363	(1,700)	(9,990)
Provision for income taxes	(262)	(7)	—	—	(269)
Net (loss) earnings	$ (10,259)	$ 1,337	$ 363	$ (1,700)	$ (10,259)

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)

Supplemental consolidating statements of operations for the three months ended March 31, 2007:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Revenues					
Equipment and product sales	$ 7,050	$ 450	$ 2	$ (428)	$ 7,074
Services	12,155	5,763	161	(778)	17,301
Rentals	1,264	19	3	—	1,286
Finance income	1,134	52	—	—	1,186
	21,603	6,284	166	(1,206)	26,847
Cost of goods sold, services and rentals					
Equipment and product sales	3,874	428	1	(360)	3,943
Services	5,988	5,586	75	(846)	10,803
Rentals	560	—	—	—	560
	10,422	6,014	76	(1,206)	15,306
Gross margin	11,181	270	90	—	11,541
Selling, general and administrative expenses	10,081	204	36	—	10,321
Research and development	1,495	—	—	—	1,495
Amortization of intangibles	136	—	—	—	136
(Income) loss from equity-accounted investees	(39)	—	—	39	—
Receivable provisions, net of (recoveries)	10	(4)	—	—	6
(Loss) earnings from operations	(502)	70	54	(39)	(417)
Interest income	178	48	—	—	226
Interest expense	(4,249)	—	—	—	(4,249)
Net (loss) earnings from continuing operations before income taxes	(4,573)	118	54	(39)	(4,440)
Provision for income taxes	(167)	—	—	—	(167)
Net (loss) earnings from continuing operations	(4,740)	118	54	(39)	(4,607)
Net loss from discontinued operations	—	(133)	—	—	(133)
Net (loss) earnings	$ (4,740)	$ (15)	$ 54	$ (39)	$ (4,740)

Supplemental consolidating statements of cash flows for the three months ended March 31, 2008:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Cash provided by (used in):					
Operating Activities					
Net (loss) earnings	$ (10,259)	$ 1,337	$ 363	$ (1,700)	$ (10,259)
Items not involving cash:					
Depreciation and amortization	4,128	75	—	—	4,203
Receivable provisions, net of (recoveries)	748	—	—	—	748
(Income) loss from equity-accounted investees	(1,700)	—	—	1,700	—
Change in deferred income tax valuation allowance	17	—	—	—	17
Stock and other non-cash compensation	1,257	—	—	—	1,257
Foreign currency exchange loss	191	—	—	—	191
Change in cash surrender value of life insurance	(13)	—	—	—	(13)
Investment in film assets	(2,445)	—	—	—	(2,445)
Changes in other non-cash operating assets and liabilities	11,855	(2,182)	(230)	—	9,443
Net cash provided by (used in) operating activities	3,779	(770)	133	—	3,142
Investing Activities					
Purchase of property, plant and equipment	(1,714)	(52)	—	—	(1,766)
Acquisition of other assets	(78)	—	—	—	(78)
Acquisition of other intangible assets	(95)	—	—	—	(95)
Net cash used in investing activities	(1,887)	(52)	—	—	(1,939)
Financing Activities					
Common shares issued	266	—	—	—	266
Net cash provided by financing activities	266	—	—	—	266
Effects of exchange rate changes on cash	(235)	(49)	(25)	—	(309)
Increase (decrease) in cash and cash equivalents, during the period	1,923	(871)	108	—	1,160
Cash and cash equivalents, beginning of period	11,182	5,329	390	—	16,901
Cash and cash equivalents, end of period	$ 13,105	$ 4,458	$ 498	$ —	$ 18,061

Supplemental consolidating statements of cash flows for the three months ended March 31, 2007:

	IMAX Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated Total
Cash provided by (used in):					
Operating Activities					
Net (loss) earnings	$ (4,740)	$ (15)	$ 54	$ (39)	$ (4,740)
Net loss from discontinued operations	—	133	—	—	133
Items not involving cash:					
Depreciation and amortization	2,909	100	5	—	3,014
Receivable provisions, net of (recoveries)	10	(4)	—	—	6
Income (loss) from equity-accounted investees	(39)	—	—	39	—
Change in deferred income tax valuation allowance	(76)	—	—	—	(76)
Stock and other non-cash compensation	1,504	—	—	—	1,504
Foreign currency exchange gain	(109)	—	—	—	(109)
Interest on short-term investments	(17)	—	—	—	(17)
Change in cash surrender value of life insurance	(8)	—	—	—	(8)
Investment in film assets	(1,340)	—	—	—	(1,340)
Changes in other non-cash operating assets and liabilities	4,010	(785)	(57)	—	3,168
Net cash used in operating activities from discontinued operations	(775)	(133)	—	—	(908)
Net cash provided by (used in) operating activities	1,329	(704)	2	—	627
Investing Activities					
Purchases of short-term investments	(2,124)	—	—	—	(2,124)
Proceeds from maturities of short-term investments	2,115	—	—	—	2,115
Purchase of property, plant and equipment	(93)	(5)	(1)	—	(99)
Increase in other assets	(245)	—	—	—	(245)
Increase in other intangible assets	(148)	—	—	—	(148)
Net cash used in investing activities	(495)	(5)	(1)	—	(501)
Financing Activities					
Net cash provided by financing activities	—	—	—	—	—
Effects of exchange rate changes on cash	10	(3)	(4)	—	3
Increase (decrease) in cash and cash equivalents, during the period	844	(712)	(3)	—	129
Cash and cash equivalents, beginning of period	16,402	8,556	165	—	25,123
Cash and cash equivalents, end of period	$ 17,246	$ 7,844	$ 162	$ —	$ 25,252

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

OVERVIEW

The principal business of IMAX Corporation together with its wholly-owned subsidiaries (the "Company") is the design, manufacture, sale or lease of theater systems based on proprietary and patented technology for large-format 15 — perforation film frame, 70mm format ("15/70 format") theaters, as well as large format digitally-based theaters including commercial theaters, museums and science centers, and destination entertainment sites. At March 31, 2008, there were 298 IMAX theaters operating in 40 countries.

The Company derives revenue principally from the sale or long-term lease of its theater systems and associated maintenance and extended warranty services, the provision of film production and digital re-mastering services, the distribution of certain films, and the provision of post-production services. The Company also derives revenue from the operation of its own theaters, camera rentals and the provision of aftermarket parts for its system components.

Important factors that the Company's Co-Chief Executive Officers ("Co-CEOs") use in assessing the Company's business and prospects include the signing of new theater systems arrangements, revenue, gross margins from the Company's operating segments, earnings from operations as adjusted for unusual items that the Company views as non-recurring and the success of strategic initiatives such as the securing of new film projects, particularly IMAX DMR films, the signing and financial performance of joint revenue sharing arrangements and the progress of the Company's development of a production-ready, proprietary digital projector and related technologies.

Theater Systems

The Company provides its theater systems to customers on a sales or long-term lease basis, typically with initial terms of 10 to 20 years. These agreements typically provide for three major sources of cash flows: initial fees, ongoing fees (which include a fixed minimum amount per annum and contingent fees in excess of the minimum payments) and maintenance and extended warranty fees. The initial fees vary depending on the system configuration and location of the theater and generally are paid to the Company in installments commencing upon the signing of the agreement. Finance income is derived over the term of the sales or sales-type lease arrangement as the unearned income on financed sales or sales-type leases is earned. Ongoing fees are paid monthly over the term of the contract, commencing after the theater system has been installed and are generally equal to the greater of a fixed minimum amount per annum and a percentage of box-office receipts. An annual maintenance and extended warranty fee is generally payable commencing in the second year of theater operations. Both ongoing fees and maintenance and extended warranty fees are typically indexed to the local consumer price index.

The Company is increasingly offering certain commercial clients joint revenue sharing arrangements, where the Company receives a portion of a theater's box-office and concession revenue in exchange for placing a theater system at the theater operator's venue.

Revenue on theater system arrangements are recognized at a different time than when cash is collected. See "Critical Accounting Policies" below for further discussion on the Company's revenue recognition policies.

Sales Backlog

The Company's sales backlog will vary from quarter to quarter depending on the signing of new theater system arrangements, which adds to backlog, and the installation and acceptance of theater systems and the settlement of contracts, both of which reduce backlog. Sales backlog typically represents the fixed contracted revenue under signed theater system sale and lease agreements that the Company believes will be recognized as revenue as the associated theater systems are installed and accepted. Sales backlog includes initial fees along with the present value of contractual ongoing fees due over the lease term, but excludes amounts allocated to maintenance and extended warranty revenues as well as fees in excess of contractual ongoing fees that might be received in the future. Operating leases and joint revenue sharing arrangements are assigned no value in the sales backlog. The value of sales backlog does not include revenue from theaters in which the Company has an equity interest, letters of intent or

long-term conditional theater commitments. During the three months ended March 31, 2008, the Company signed contracts for 66 theater systems, including 35 theater systems under sales and sales-type lease arrangements valued at $45.9 million, all of which are included in backlog as at March 31, 2008, and 31 theater systems under joint revenue sharing arrangements. At March 31, 2008, the sales backlog included 245 theater systems consisting of arrangements for 110 sales and sales-type lease systems, valued at $157.3 million, and 135 theater systems under joint revenue sharing arrangements for which there is no assigned backlog value. In comparison, at March 31, 2007, the sales backlog included 83 theater systems consisting of arrangements for 80 sales and sales-type lease systems, valued at $128.4 million, and 3 theater systems under joint revenue sharing arrangements for which there was no assigned backlog value. The Company believes that the contractual obligations for theater system installations that are listed in sales backlog are valid and binding commitments.

CRITICAL ACCOUNTING POLICIES

The Company reports its results under United States Generally Accepted Accounting Principles ("U.S. GAAP").

The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to fair values associated with the individual elements in multiple element arrangements; residual values of leased theater systems; economic lives of leased assets; allowances for potential uncollectibility of accounts receivable, financing receivables and net investment in leases; provisions for inventory obsolescence; ultimate revenues for film assets; estimates of fair values for film assets, long-lived assets and goodwill; depreciable lives of property, plant and equipment; useful lives of intangible assets; pension plan and post retirement assumptions; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; and, estimates of the fair value and expected exercise dates of stock-based payment awards. Management bases its estimates on historic experience, future expectations and other assumptions that are believed to be reasonable at the date of the condensed consolidated 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, and the differences may be material. The Company's significant accounting policies are discussed in note 2 to its audited consolidated financial statements in the Company's 2007 Annual Report on Form 10-K for the year ended December 31, 2007 (the "2007 Form 10-K"), and are summarized below.

The Company considers the following critical accounting policies to have the most significant effect on its estimates, assumptions and judgments:

Revenue Recognition

The Company generates revenue from various sources as follows:

- Design, manufacture, sale and lease of proprietary theater systems for IMAX theaters principally owned and operated by commercial and institutional customers located in 40 countries as at March 31, 2008;
- Placement of theater systems at venues in return for a portion of the theater's box-office and concession revenue;
- Production, digital re-mastering, post-production and/or distribution of certain films shown throughout the IMAX theater network;
- Operation of certain IMAX theaters primarily in the United States and Canada;
- Provision of other services to the IMAX theater network, including ongoing maintenance and extended warranty services for IMAX theater systems; and
- Other activities, which includes short-term rental of cameras and aftermarket sales of projector system components.

Multiple Element Arrangements

The Company's revenue arrangements with certain customers may involve multiple elements consisting of a theater system (projector, sound system, screen system and, if applicable, 3D glasses cleaning machine); services associated with the theater system including theater design support, supervision of installation, and projectionist training; a license to use the IMAX brand; 3D glasses; maintenance and extended warranty services; and licensing of films. The Company evaluates all elements in an arrangement to determine what are considered typical deliverables for accounting purposes and which of the deliverables represent separate units of accounting based on the applicable accounting guidance in Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13"); Financial Accounting Standards Board ("FASB") Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts" ("FTB 90-1"); Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"); and Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). If separate units of accounting are either required under the relevant accounting standards or determined to be applicable under EITF 00-21, the total consideration received or receivable in the arrangement is allocated based on the applicable guidance in the above noted standards.

Theater Systems

The Company has identified the projection system, sound system, screen system and, if applicable, 3D glasses cleaning machine, theater design support, supervision of installation, projectionist training and the use of the IMAX brand to be a single deliverable and a single unit of accounting (the "System Deliverable"). When an arrangement does not include all the elements of a System Deliverable, the elements of the System Deliverable included in the arrangement are considered by the Company to be a single deliverable and a single unit of accounting. The Company is not responsible for the physical installation of the equipment in the customer's facility; however, the Company supervises the installation by the customer. The customer has the right to use the IMAX brand from the date the Company and the customer enter into an arrangement.

The Company's System Deliverable arrangements involve either a lease or a sale of the theater system. The consideration in the Company's arrangements consist of upfront or initial payments made before and after the final installation of the theater system equipment and ongoing payments throughout the term of the lease or over a period of time, as specified in the arrangement. The ongoing payments are the greater of an annual fixed minimum amount or a certain percentage of the theater box-office. Amounts received in excess of the annual fixed minimum amounts are considered contingent payments. The Company's arrangements are non-cancellable, unless the Company fails to perform its obligations. In the absence of a material default by the Company, there is no right to any remedy for the customer under the Company's arrangements. If a material default by the Company exists, the customer has the right to terminate the arrangement and seek a refund only if the customer provides notice to the Company of a material default and only if the Company does not cure the default within a specified period.

Sales Arrangements

For arrangements qualifying as sales, the revenue allocated to the System Deliverable is recognized in accordance with the Securities and Exchange Commission (the "SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB 104"), when all of the following conditions have been met: (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided there is persuasive evidence of an arrangement, the price is fixed or determinable and collectibility is reasonably assured.

The initial revenue recognized consists of the initial payments received and the present value of any future initial payments and fixed minimum ongoing payments that have been attributed to this unit of accounting.

Contingent payments in excess of the fixed minimum ongoing payments are recognized when reported by theater operators, provided collection is reasonably assured.

The Company has also agreed, on occasion, to sell equipment under lease or at the end of a lease term. Consideration agreed to for these lease buyouts is included in revenues from equipment and product sales, when persuasive evidence of an arrangement exists, the fees are fixed or determinable and collectibility is reasonably assured.

In certain sales arrangements for MPX theater systems, the Company provides customers with an option to acquire, for a specified period of time, digital upgrades (each upgrade consisting of a projector, certain sound system components and screen enhancements) at a fixed or variable discount towards a future price of such digital upgrades. The Company also provides customers, in certain cases, with sales arrangements for multiple systems consisting of a combination of MPX theater systems and complete digital theater systems for a specified price. At the current period-end, the Company has not yet established the future price for such digital upgrades or theater systems. Accordingly, the Company defers all consideration received and receivable under such arrangements, except for the amount allocated to maintenance and extended warranty services being provided to the customers for the installed system, until the maximum amount of the discount, if any, and the fair value of digital upgrades or theater systems are determinable or the option expires, if applicable. When the maximum amount of the discount, if any, and the fair value of the digital upgrades or theater systems are determinable, the Company allocates the actual or implied discount between the delivered MPX theater system and the option to acquire the digital upgrade or the digital theater system ordered on a relative fair value basis and recognizes the discounted amount as revenue for the delivered MPX system, provided all of the other conditions for recognition of a theater system are met. The remaining consideration allocated to the digital upgrade or theater system is deferred until all of the conditions required for the recognition of revenue for the sale of a theater system have been met or the option expires, if applicable. Costs related to the installed MPX system for which revenue has not been recognized are included in inventories until the conditions for revenue recognition are met.

Lease Arrangements

The Company uses the guidance in EITF Issue No. 01-8, “Determining Whether an Arrangement Contains a Lease” (“EITF 01-8”), to evaluate whether an arrangement is a lease within the scope of SFAS 13. Arrangements not within the scope of SFAS 13 are accounted for either as a sales or services arrangement, as applicable.

For lease arrangements, the Company determines the classification of the lease in accordance with SFAS 13. A lease arrangement that transfers substantially all of the benefits and risks incident to ownership of the equipment is classified as a sales-type lease based on the criteria established by SFAS 13; otherwise the lease is classified as an operating lease. Prior to commencement of the lease term for the equipment, the Company may modify certain payment terms or make concessions. If these circumstances occur, the Company reassesses the classification of the lease based on the modified terms and conditions.

For sales-type leases, the revenue allocated to the System Deliverable is recognized when the lease term commences, which the Company deems to be when all of the following conditions have been met; (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater, provided collectibility is reasonably assured.

The initial revenue recognized for sales-type leases consists of the initial payments received and the present value of future initial payments and fixed minimum ongoing payments computed at the interest rate implicit in the lease. Contingent payments in excess of the fixed minimum payments are recognized when reported by theater operators, provided collection is reasonably assured.

For operating leases, initial payments and fixed minimum ongoing payments are recognized as revenue on a straight-line basis over the lease term. For operating leases, the lease term is considered to commence when all of the following conditions have been met (i) the projector, sound system and screen system have been installed and are in full working condition, (ii) the 3D glasses cleaning machine, if applicable, has been delivered, (iii) projectionist training has been completed and (iv) the earlier of (a) receipt of the written customer acceptance certifying the completion of installation and run-in testing of the equipment and the completion of projectionist training or (b) public opening of the theater. Contingent payments in excess of fixed minimum ongoing payments are recognized as revenue when reported by theater operators, provided that collection is reasonably assured.

Joint Revenue Sharing Arrangements

For joint revenue sharing arrangements, where the Company receives a portion of a theater's box-office and concession revenue in exchange for placing a theater system at the theater operator's venue, revenue is recognized when reported by the theater operator, provided that collection is reasonably assured. Revenue recognized related to these arrangements for the three months ended March 31, 2008 and 2007 included in rental revenue was $0.3 million and $0.4 million, respectively. On December 7, 2007, the Company and AMC Entertainment Inc. ("AMC") announced they had signed a joint revenue sharing arrangement to install 100 digital projection systems, the largest theater deal in the Company's history. Furthermore, in March 2008 the Company signed a joint revenue sharing arrangement with Regal Cinemas, Inc. ("Regal"), a subsidiary of Regal Entertainment Group, for 31 digital projection systems.

Finance Income

Finance income is recognized over the term of the lease or financed sales receivable, provided that collection is reasonably assured. Finance income recognition ceases when the Company determines that the associated receivable is not recoverable.

Terminations, Consensual Buyouts and Concessions

The Company enters into theater system arrangements with customers that contain customer payment obligations prior to the scheduled installation of the theater system. During the period of time between signing and the installation of the theater system, which may extend several years, certain customers may be unable to, or elect not to, proceed with the theater 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 arrangement may be terminated under the default provisions of the arrangement or by mutual agreement between the Company and the customer (a "consensual buyout"). Terminations by default are situations when a customer does not meet the payment obligations under an arrangement and the Company retains the amounts paid by the customer. Under a consensual buyout, the Company and the customer agree, in writing, to a settlement and to release each other of any further obligations under the arrangement or an arbitrated settlement is reached. Any initial payments retained or additional payments received by the Company are recognized as revenue when the settlement arrangements are executed and the cash is received, respectively. These termination and consensual buyout amounts are recognized in Other revenues.

In addition, since the introduction of the IMAX MPX theater system in 2003, the Company has agreed with several customers to convert their obligations for other theater system configurations that have not yet been installed to arrangements to acquire or lease the IMAX MPX theater system. The Company considers these situations to be a termination of the previous arrangement and origination of a new arrangement for the IMAX MPX theater system. The Company continues to defer an amount of any initial fees received from the customer such that the aggregate of the fees deferred and the net present value of the future fixed initial and ongoing payments to be received from the customer equals the fair value of the IMAX MPX theater system to be leased or acquired by the customer. Any residual portion of the initial fees received from the customer for the terminated theater system is recorded in Other revenues at the time when the obligation for the original theater system is terminated and the IMAX MPX theater system arrangement is signed.

The Company may offer certain incentives to customers to complete theater system transactions including payment concessions or free services and products such as film licenses or 3D glasses. Reductions in, and deferral of, payments are taken into account in determining the sales price either by a direct reduction in the sales price or a reduction of payments to be discounted in accordance with SFAS 13 or Accounting Principle Board Opinion No. 21, “Interest on Receivables and Payables” (“APB 21”). Free products and services are accounted for as separate units of accounting.

Maintenance and Extended Warranty Services

Maintenance and extended warranty services may be provided under a multiple element arrangement or as a separately priced contract. Revenues related to these services are deferred and recognized on a straight-line basis over the contract period and are recognized in Services revenues. Maintenance and extended warranty services includes maintenance of the customer’s equipment and replacement parts. Under certain maintenance arrangements, maintenance services may include additional training services to the customer’s technicians. All costs associated with this maintenance and extended warranty program are expensed as incurred. A loss on maintenance and extended warranty services is recognized if the expected cost of providing the services under the contracts exceeds the related deferred revenue.

Film Production and IMAX DMR Services

In certain film arrangements, the Company produces a film financed by third parties, whereby the third party retains the copyright and the Company obtains exclusive distribution rights. Under these arrangements, the Company is entitled to receive a fixed fee or to retain as a fee the excess of funding over cost of production (the “production fee”). The third parties receive a portion of the revenues received by the Company on distributing the film, which is charged to Costs of revenue. The production fees are deferred and recognized as a rebate of the cost of the film-based on the ratio of the Company’s distribution revenues recognized in the current period to the ultimate distribution revenues expected from the film.

Revenue from film production services where the Company does not hold the associated distribution rights are recognized in Services revenue when performance of the contractual service is complete provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collection is reasonably assured.

Revenues from digitally re-mastering (IMAX DMR) films where third parties own or hold the copyrights and the rights to distribute the film are derived in the form of processing fees and recoupments calculated as a percentage of box-office receipts generated from the re-mastered films. Processing fees are recognized as Services revenue when the performance of the related re-mastering service is completed provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection is reasonably assured. Recoupments calculated as a percentage of box-office receipts are recognized as Services revenues when reported by the third party that owns or holds the related film right, provided that collection is reasonably assured.

Losses on film production and IMAX DMR services are recognized as Costs of services in the period when it is determined that the Company’s estimate of total revenues to be realized by the Company will not exceed estimated total production costs to be expended on the film production and the cost of IMAX DMR services.

Film Distribution

Revenue from the licensing of films is recognized in Services revenues when persuasive evidence of a licensing arrangement exists, the film has been completed and delivered, the license period has begun, the fee is fixed or determinable and collection is reasonably assured. When license fees are based on a percentage of box-office receipts, revenue is recognized when reported by exhibitors, provided that collection is reasonably assured.

Film Post-Production Services

Revenues from post-production film services are recognized in Services revenue when performance of the contracted services is complete provided there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection is reasonably assured.

Theater Operations Revenue

The Company recognizes revenue in Services revenue from its owned and operated theaters resulting from box-office ticket and concession sales as tickets are sold, films are shown and upon the sale of various concessions. The sales are cash or credit card transactions with theatergoers based on fixed prices per seat or per concession item.

In addition, the Company enters into commercial arrangements with third party theater owners resulting in the sharing of profits and losses which are recognized in Services revenue when reported by such theaters. The Company also provides management services to certain theaters and recognizes revenue over the term of such services.

Other

Revenues on camera rentals are recognized in Rental revenue over the rental period.

Revenue from the sale of 3D glasses is recognized in Equipment and product sales revenue when the 3D glasses have been delivered to the customer.

Other service revenues are recognized in Services revenues when the performance of contracted services is complete.

Allowances for Accounts Receivable and Financing Receivables

Allowances for doubtful accounts receivable are based on the Company’s assessment of the collectibility of specific customer balances, which is based upon a review of the customer’s credit worthiness, past collection history and the underlying asset value of the equipment, where applicable. Interest on overdue accounts receivable is recognized as income as the amounts are collected.

The Company monitors the performance of the theaters to which it has leased or sold theater systems which are subject to ongoing payments. When facts and circumstances indicate that there is a potential impairment in the net investment in lease or a financing receivable, the Company will evaluate the potential outcome of either renegotiations involving changes in the terms of the receivable or defaults on the existing lease or financed sale agreements. The Company will record a provision if it is considered probable that the Company will be unable to collect all amounts due under the contractual terms of the arrangement or a renegotiated lease amount will cause a reclassification of the sales-type lease to an operating lease.

When the net investment in lease or the financing receivable is impaired, the Company will recognize a provision for the difference between the carrying value in the investment and the present value of expected future cash flows discounted using the effective interest rate for the net investment in the lease or the financing receivable. If the Company expects to recover the theater system, the provision is equal to the excess of the carrying value of the investment over the fair value of the equipment.

When the minimum lease payments are renegotiated and the lease continues to be classified as a sales-type lease, the reduction in payments is applied to reduce unearned finance income.

These provisions are adjusted when there is a significant change in the amount or timing of the expected future cash flows or actual cash flows differ from cash flow previously expected.

Once a net investment in lease or financing receivable is considered impaired, the Company does not recognize interest income until the collectibility issues are resolved. When finance income is not recognized, any payments

received are applied against outstanding gross minimum lease amounts receivable or gross receivables from financed sales.

Inventories

Inventories are carried at the lower of cost, determined on an average cost basis, and net realizable value except for raw materials, which are carried out at the lower of cost and replacement cost. Finished goods and work-in-process include the cost of raw materials, direct labor, theater design costs, and an applicable share of manufacturing overhead costs.

The costs related to theater systems under sales and sales-type lease arrangement are relieved from inventory to costs of goods sold, equipment and product sales when revenue recognition criteria are met. The costs related to theater systems under operating lease arrangements are relieved from inventory to property, plant and equipment when revenue recognition criteria are met.

The Company records provisions for excess and obsolete inventory based upon current estimates of future events and conditions, including the anticipated installation dates for the current backlog of theater system contracts, technological developments, signings in negotiation, growth prospects within the customers' ultimate marketplace and anticipated market acceptance of the Company's current and pending theater systems.

Finished goods inventories can contain theater systems for which title has passed to the Company's customer (as the theater system has been delivered to the customer) but the revenue recognition criteria as discussed above have not been met.

Asset Impairments

The Company performs an impairment test on its goodwill on an annual basis, coincident with the year-end, as well as in quarters where events or changes in circumstances suggest that the carrying amount may not be recoverable.

Goodwill impairment is assessed at the reporting unit level by comparing the unit's carrying value, including goodwill, to the fair value of the unit. Significant estimates are involved in the impairment test. The carrying values of each unit are subject to allocations of certain assets and liabilities that the Company has applied in a systematic and rationale manner. The fair value of the Company's units is assessed using a discounted cash flow model. The model is constructed using the Company's budget and long-range plan as a base.

Long-lived asset impairment is performed at the lowest level of asset group at which identifiable cash flows are largely independent. For a significant portion of long-lived assets, this is the reporting segment unit level used for goodwill testing. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

The Company's estimates of future cash flows involve anticipating future revenue streams, which contain many assumptions that are subject to variability, as well as estimates for future cash outlays, the amounts of which, and the timing of which are both uncertain. Actual results that differ from the Company's budget and long-range plan could result in a significantly different result to an impairment test, which could impact earnings.

Pension Plan and Postretirement Benefit Obligations Assumptions

The Company's pension plan and postretirement benefit obligations and related costs are calculated using actuarial concepts, within the framework of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans". A critical assumption to this accounting is the discount rate. The Company evaluates this critical assumption annually or when otherwise required to by

accounting standards. Other assumptions include factors such as expected retirement date, mortality rate, rate of compensation increase, and estimates of inflation.

The discount rate enables the Company to state expected future cash payments for benefits as a present value on the measurement date. The guideline for setting this rate is a high-quality long-term corporate bond rate. A lower discount rate increases the present value of benefit obligations and increases pension expense. The Company's discount rate was determined by considering the average of pension yield curves constructed from a large population of high-quality corporate bonds. The resulting discount rate reflects the matching of plan liability cash flows to the yield curves.

Deferred Tax Asset Valuation

As at March 31, 2008, the Company had net deferred income tax assets of $52.9 million. The Company's management assesses realization of its deferred tax assets based on all available evidence in order to conclude whether it is more likely than not that the deferred tax assets will be realized. Available evidence considered by the Company includes, but is not limited to, the Company's historic operation results, projected future operating earnings results, reversing temporary differences, contracted sales backlog at March 31, 2008, changing business circumstances, and the ability to realize certain deferred tax assets through loss and tax credit carry-back strategies. At March 31, 2008, the Company has determined that based on the weight of the available evidence, both positive and negative, a full valuation allowance for the net deferred tax assets was required.

When there is a change in circumstances that causes a change in judgment about the realizability of the deferred tax assets, the Company would adjust all or a portion of the applicable valuation allowance in the period when such change occurs.

Tax Exposures

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 outcomes of examinations and related tax positions require judgment and can materially increase or decrease its effective rate as well as impact operating results. The Company compiles these assessments using the guidance of the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (an interpretation of FASB Statement No. 109), ("FIN 48").

Impact of Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" (SFAS 157) which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position (FSP 157-2), "Effective Date of FASB Statement No. 157." FSP 157-2 delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities that are not remeasured at fair value on a recurring basis until fiscal years beginning after November 15, 2008. The Company is currently evaluating the potential impact of this statement on its non-financial assets and non-financial liabilities included in the consolidated financial statements. For financial assets and financial liabilities, SFAS 157 was effective for the Company on January 1, 2008 as disclosed in note 2 to the accompanying condensed consolidated financial statements in Item 1.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" ("SFAS 159"), with an effective date of January 1, 2008. Companies that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 also establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar

assets and liabilities. SFAS 159 did not have an effect on the Company's financial condition or results of operations as the Company did not elect this fair value option for any of its financial assets and financial liabilities.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 160, "Non-controlling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51" ("SFAS 160"). The objective of SFAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its Consolidated Financial Statements by establishing accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the condensed consolidated financial statements. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the potential impact of this statement on its consolidated financial statements.

DISCONTINUED OPERATIONS

On December 31, 2007, the Company entered into a lease termination agreement, which extinguished all of its obligations to its landlord with respect to the Company's owned and operated Providence IMAX theater. As a result of the lease termination, the Company recorded a non-cash gain of $1.5 million in December 2007, associated with the reversal of deferred lease credits recorded in prior periods. In a related transaction, the Company sold the theater projection system and inventory for the Providence IMAX theater to a third party theater exhibitor for $1.0 million (consisting of $0.6 million cash and $0.4 million of discounted future minimum payments) which was recorded as a gain from discontinued operations in December 2007. The above transactions were reflected as discontinued operations as the continuing cash flows are not generated from either a migration or a continuation of activities.

RESULTS OF OPERATIONS

As identified in note 14 to the accompanying condensed consolidated financial statements in Item 1, the Company has six reportable segments identified by category of product sold or service provided: IMAX systems; film production and IMAX DMR; film distribution; film post-production; theater operations; and other. The IMAX systems segment designs, manufactures, sells or leases and maintains IMAX theater projection system equipment. The film production and IMAX DMR segment produces films and performs film re-mastering services. The film distribution segment distributes films for which the Company has distribution rights. The film post-production segment provides film post-production and film print services. The theater operations segment owns and operates certain IMAX theaters. The other segment includes camera rentals and other miscellaneous items. The accounting policies of the segments are the same as those described in note 2 to the audited consolidated financial statements included in the Company's 2007 Form 10-K.

The Company's Management's Discussion and Analysis of Financial Condition and Results of Operations has been organized and discussed with respect to the above stated segments. Management feels that a discussion and analysis based on its segments is significantly more relevant as the Company's condensed consolidated statements of operations caption combines results from several segments.

Three Months Ended March 31, 2008 Versus Three Months Ended March 31, 2007

The Company reported a net loss from continuing operations before income taxes of $10.0 million or $0.25 per share on a diluted basis and a net loss from continuing operations after taxes of $10.3 million or $0.25 per share on a diluted basis for the first quarter of 2008. For the first quarter of 2007, the Company reported a net loss from continuing operations before income taxes of $4.4 million or $0.11 per share on a diluted basis and net loss from continuing operations after taxes of $4.6 million or $0.11 per share on diluted basis.

Revenue

The Company's revenues for the first quarter of 2008 decreased by 12.4% to $23.5 million from $26.8 million in the same period last year.

The following table sets forth the breakdown of revenue by category:

(In thousands of U.S. dollars)	Three Months Ended March 31, 2008	2007
IMAX Systems Revenue		
Sales and sales-type leases(1)	$ 5,816	$ 6,412
Ongoing rent and finance income(2)	2,690	2,612
Maintenance	3,983	4,094
	12,489	13,118
Films Revenue		
Production and IMAX DMR	2,916	4,592
Distribution	2,753	3,410
Post-production	1,724	1,074
	7,393	9,076
Theater Operations	2,831	4,131
Other Revenue	807	522
	$23,520	$26,847

(1) Includes initial rents and fees and the present value of fixed minimum rents and fees from equipment, sales and sales-type lease transactions.

(2) Includes rental income from operating leases, revenues from joint revenue sharing arrangements, contingent rents from sales-type leases and contingent fees from sales arrangements.

IMAX systems revenue decreased to $12.5 million in the first quarter of 2008 from $13.1 million in the first quarter of 2007, a decrease of 4.8%. Revenue from sales and sales-type leases decreased to $5.8 million in the first quarter of 2008 from $6.4 million in the first quarter of 2007, a decrease of 9.3%.

The Company recognized revenue on four theater systems which qualified as either sales or sales-type leases in the first quarter of 2008 versus five in the first quarter of 2007. There were four new theater systems with a value of $5.5 million recognized into revenue in the first quarter of 2008, as compared to four new theater systems with a total value of $5.8 million recognized in the first quarter of 2007. None of the theater systems recognized in the first quarter of 2008 were used theater systems while one of the theater systems in the first quarter of 2007 was a used system with an aggregate sales value of $0.5 million.

Average revenue per sales and sales-type lease systems was $1.4 million for the three months ended March 31, 2008 as compared to $1.3 million for the three months ended March 31, 2007.

The table below illustrates the mix of theater systems recognized in the first quarter of 2008 compared to the same period in 2007.

	Three Months Ended March 31,	
	2008	2007
Sales and Sales-type lease systems recognized		
IMAX 2D GT	—	1
IMAX 3D GT	—	—
IMAX 2D SR	—	1
IMAX 3D MPX	4	3
	4	5

Not included in the table above is one theater system under a sales arrangement that was installed in the first three months of 2008 which is subject to provisions providing the customer with an upgrade to a digital system at a discounted price when available. Had the transaction not contained this digital upgrade clause, the Company would have recognized $1.3 million in revenue and $0.6 million in gross margin related to this sale. The Company expects that once the digital upgrade is provided or the fair value for the upgrade is established, the Company will allocate total contract consideration, including any upgrade revenues, between the delivered and undelivered elements on a fair value basis and recognize the revenue allocated to the delivered elements with their associated costs.

Ongoing rent revenue and finance income increased to $2.7 million in the first quarter of 2008 from $2.6 million in the first quarter of 2007, an increase of 3.0%. Revenues from joint revenue sharing arrangements, included in ongoing rent, decreased from $0.4 million in the first quarter of 2007 to $0.3 million in the first quarter of 2008. The Company participated in eleven joint revenue sharing arrangements during the first quarter of 2008 as compared to five in 2007. The decline in revenues from joint revenue sharing arrangements was primarily due to the lower performance of IMAX DMR films exhibited during the first quarter of 2008 as compared to the first quarter of 2007, in particular, the strong performances of *Night at the Museum: The* IMAX *Experience* and *300: The* IMAX *Experience* in the first quarter of 2007 in comparison to the films exhibited in the first quarter of 2008. Maintenance revenue was $4.0 million during the first quarter of 2008 which was relatively consistent with the prior year. The Company expects to see an increase in 2008 as compared to 2007 in ongoing rent, fees and maintenance revenue as the Company's theater network continues to grow in 2008. The Company signed deals for 144 new theater systems in 2007, compared to 34 signings in 2006. In addition, the Company signed deals for 173 new theater systems in the last two quarters (first quarter of 2008 and last quarter of 2007).

Film segment revenues decreased to $7.4 million in the first quarter of 2008 from $9.1 million in the first quarter of 2007. Film production and IMAX DMR revenues decreased to $2.9 million in the first quarter of 2008 from $4.6 million in the first quarter of 2007. The decrease in film production and IMAX DMR revenues was due primarily to the successful exhibition of *Night at the Museum: The* IMAX *Experience* and *300: The* IMAX *Experience* in the first quarter of 2007 in comparison to *The Spiderwick Chronicles: The* IMAX *Experience* and *I am Legend: The* IMAX *Experience* exhibited in the first quarter of 2008. Film distribution revenues decreased to $2.8 million in the first quarter of 2008 from $3.4 million in the first quarter of 2007, a decrease of 19.3%, due to stronger performance of *Deep Sea 3D* in the first quarter of 2007 compared to 2008. The Company did not distribute any new titles in the first quarter of 2008. Film post-production revenues increased to $1.7 million in the first quarter of 2008 from $1.1 million in the first quarter of 2007 primarily due to an increase in third party business.

Theater operations revenue decreased to $2.8 million in the first quarter of 2008 from $4.1 million in the first quarter of 2007, primarily due to a 29% decrease in attendance largely due to lower DMR film performance.

Other revenue increased to $0.8 million in the first quarter of 2008 compared to $0.5 million in the same period in 2007. Other revenue primarily includes revenue generated from the Company's camera and rental business and after market sales of projection system parts and 3D glasses.

Outlook

Theater system installations slip from period to period in the course of the Company's business, and the Company has seen a significant number of theater system installations originally anticipated for the third and fourth quarters of 2007 move to installations anticipated for 2008 and beyond. The Company currently estimates that approximately 53 theaters (38 joint revenue sharing arrangements and 15 others) of the 245 theater systems arrangements in its backlog as at March 31, 2008 will be installed and accepted in 2008, however it cautions that slippages remain a recurring and unpredictable part of its business, and such slippages and delays, as well as specific terms of each individual arrangement could impact the timing of revenue recognition thereon.

In February 2008, the Company, in conjunction with Paramount Pictures, released *The Spiderwick Chronicles: The* IMAX *Experience*. In addition, the Company in conjunction with Paramount Pictures, Shangri-La Entertainment and Concert Productions International has released an IMAX DMR version of the Rolling Stones concert film, directed by Academy Award-winning film maker Martin Scorsese, *Shine A Light: The* IMAX *Experience* simultaneously with the film's wide release in April 2008. In May 2008, the Company in conjunction with Warner Bros. Pictures ("WB") released *Speed Racer: An* IMAX *Experience*. The Company and DreamWorks Pictures plan to release *Kung Fu Panda: An* IMAX *Experience* in June 2008. The Company has announced that it will release an IMAX DMR version of *The Dark Knight: The* IMAX *Experience*, the next installment of WB's highly-popular Batman franchise, in July 2008. The Company, in conjunction with DreamWorks Animation, will release *Madagascar 2: The* IMAX *Experience* for a two-week run beginning November 7, 2008. In November 2008, the Company, in conjunction with WB, will release *Harry Potter and the Half-Blood Prince: The* IMAX *Experience*. This is WB's sixth film release based on the popular Harry Potter book series and the Company expects that certain sections of the film such as the finale will be presented in IMAX 3D. Furthermore, in conjunction with WB, the Company has commenced production on a third original IMAX 3D co-production for the release of *Under the Sea 3D: An* IMAX *3D Experience* to IMAX theaters in 2009, a sequel to the successful *Deep Sea 3D.* The Company, in conjunction with WB and the National Aeronautics and Space Administration (NASA), also announced the next IMAX 3D space film which will chronicle the Hubble Space Telescope, set for the release to IMAX theaters in early 2010.

The Company is increasingly offering certain commercial clients joint revenue sharing arrangements, whereby the Company contributes its theater systems, accounted for at its manufactured cost for manufactured components and at the Company's cost for purchased components. Under some arrangements, the client contributes its retrofitted auditorium and there is a negotiated split of box-office revenues and concession revenues. The Company believes that, by offering such arrangements where exhibitors do not need to pay the initial capital required in a lease or a sale, the Company's theater network can be expanded more rapidly and provide the Company with a significant portion of the IMAX box-office from its theaters, as well as greater revenue from the studios releasing IMAX DMR films, for which the Company typically receives a percentage of the studio's box-office receipts. On December 7, 2007 the Company and AMC, one of the world's largest theatrical exhibition companies, announced a joint revenue sharing arrangement to install 100 IMAX digital projection systems at AMC locations in 33 major U.S. markets. In 2007, the Company signed agreements for an additional ten joint revenue sharing arrangements with other exhibitors including seven with Regal, the world's largest theater circuit. During the first quarter of 2008, the Company signed agreements for an additional 31 joint revenue sharing arrangements with Regal. There were eleven joint revenue sharing arrangements in operation at the end of the first quarter of 2008.

The Company believes that digital technology has evolved sufficiently that it can develop an IMAX production-ready, proprietary digital projection system that delivers high quality imagery consistent with the Company's brand to deliver to theaters by the middle of 2008. The Company believes that the dramatic print cost savings that would result from an IMAX digital system could lead to more profitability for the Company by increasing the number of films released to the IMAX network, which in turn could result in more theaters in the Company's network, more profits per theater and more profits for studios releasing their films to the network. In October 2007, the Company announced that it was accelerating the anticipated launch of its digital projector to mid-2008 (originally expected to launch in 2009). There are a number of risks inherent in the Company's digital strategy including technology risks, such as the risk that the digital projector developed by the Company may have technical

flaws or bugs that require repair or modification and, if not repaired or modified fully, could damage the Company's market position. A small number of the Company's film-based system contracts include provisions providing for upgrades to digital systems at discounted prices when available. The accounting impact of such provisions may include the deferral of some or all of the revenue (though not the cash) associated with such systems. Since the Company has not yet established the fair value for a digital upgrade, all consideration related to delivery of the initial system will be deferred until the time the fair value of such digital upgrade is known or the upgrade has been installed. The Company expects that once the digital upgrade is provided or the fair value for the upgrade is established, the Company will allocate total contract consideration, including any upgrade revenues, between the delivered and undelivered elements on a relative fair value basis and recognize the revenue allocated to the delivered elements with their associated costs. Such deferral could result in a significant increase in the Company's deferred revenue accounts and a significant decrease in the Company's reported profits prior to establishing the fair value of a digital upgrade or delivery of the digital upgrade. For the three months ended March 31, 2008, the Company installed one theater system under a sales arrangement that is subject to such provisions. Had the transaction not contained this digital clause, the Company would have recognized $1.3 million in revenue and $0.6 million in gross margin related to this sale. The Company expects to deliver and install a significant number of digital systems beginning in the second half of 2008.

The Company anticipates that its digital product will provide a differentiated experience to moviegoers that is consistent with what they have come to expect from the IMAX brand. The Company believes that transitioning from a film-based platform to a digital platform for a large portion of its customer base is compelling for a number of reasons. The savings to the studios as a result of eliminating film prints are considerable, as the typical cost of an IMAX film print ranges from $22,500 per 2D print to $45,000 per 3D print. Removing those costs will significantly increase the profit of an IMAX release for a studio which, the Company believes, provides more incentive for studios to release their films to IMAX theaters. The Company similarly believes that economics change favorably for its exhibition clients as a result of a digital transition, since lower print costs and the increased programming flexibility that digital delivery provides should allow theaters to program three to four additional IMAX DMR films per year, thereby increasing both customer choice and total box-office revenue. Moreover, the Company anticipates that installation of its digital systems will cost exhibitors less than the installation of a film-based system, further improving exhibitor returns. Finally, digital transmission eventually allows for the opportunity to show attractive alternative programming, such as live sporting events and concerts, in the immersive environment of an IMAX theater.

The Company has a prototype digital system operating near its corporate headquarters in Mississauga, Ontario, and believes that the feedback it has received from third parties regarding the quality of the presentation produced by the prototype system has been extremely positive. On December 7, 2007, the Company and AMC announced a joint revenue sharing arrangement to install 100 IMAX digital projection systems at AMC locations in 33 major U.S. markets, the largest theater deal in the Company's history. The obligation of AMC to take delivery of the second 50 digital systems is subject to certain performance thresholds. Although the Company believes these thresholds will be exceeded, there is no guarantee that it will. In 2007, the Company signed agreements for an additional 20 IMAX digital theater systems, including four under joint revenue sharing arrangements with other exhibitors. These agreements are dependent on the successful development and launch of the Company's digital projection system. In addition, on March 10, 2008, the Company announced an agreement for the sale of 35 digital theater systems to RACIMEC International Group to be installed in Central and South America and the Caribbean. Furthermore, the Company and Regal announced on March 24, 2008 a joint revenue sharing agreement to install 31 IMAX digital projection systems at Regal locations in 20 major U.S. markets. These are the second and third largest theater deals in the Company's history, following AMC's 100 theater North American deal.

Gross Margin

The gross margin across all segments in the first quarter of 2008 was $10.1 million, or 43.1% of total revenue, compared to $11.5 million, or 43.0% of total revenue in the first quarter of 2007.

IMAX theater systems margin was 57.5% in the first quarter of 2008, as compared to 57.7% in the first quarter of 2007. Gross margins on sales of new systems were 58.1% in the first quarter of 2008 as compared to 53.7% in the prior year quarter due mainly to the product mix sold. There were no used system sales in the first quarter of 2008. Gross margin on the sale of one used system recognized in the prior year quarter was 100.0%.

The Company's gross margin from its film segment decreased in the first quarter of 2008 by $0.6 million over the first quarter of 2007. Film production and IMAX DMR gross margin decreased by $2.1 million due primarily to the margins realized from the successful exhibition of *Night at the Museum: The* IMAX *Experience* and *300: The* IMAX *Experience* in 2007 in comparison to the films exhibited in the first quarter of 2008. The film distribution margin of $1.4 million in the first quarter of 2008 was consistent with the first quarter of 2007. Film post-production gross margin increased by $1.5 million primarily due to an increase in third party business.

Theater operations margin decreased $0.6 million in the first quarter of 2008 as compared to first quarter of 2007 primarily due to the impact of lower attendance.

The gross margin on other revenue increased by $0.2 million in 2008 as compared to 2007.

The Company anticipates higher gross margins in 2008 in comparison to 2007, due to an increase in theater system installations commensurate with the introduction of the Company's digital system in mid 2008, and an improving film slate for the remainder of 2008.

Other

Selling, general and administrative expenses were $12.4 million in the first quarter of 2008 as compared to $10.3 million in 2007. This $2.1 million increase in expenses includes an increase in professional fees of $0.7 million as compared to the first quarter of 2007, a stronger Canadian dollar compared to the first quarter of 2007 and an increase in staff costs and compensation expenses of $0.6 million in the first quarter of 2008 due primarily due higher salary costs driven by merit increases. In addition, the Company recorded a foreign exchange translation loss of $0.2 million for the three months ended March 31, 2008, as compared to a gain of $0.1 million for the three months ended March 31, 2007. 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.

Receivable provisions net of recoveries for accounts receivable and financing receivables amounted to a net provision of $0.8 million in the first quarter of 2008 as compared to less than $0.1 million in the first quarter of 2007.

Interest income decreased to $0.1 million in the first quarter of 2008 as compared to $0.2 million in the first quarter of 2007.

Interest expense increased to $4.5 million in the first quarter of 2008 as compared to $4.2 million in the first quarter of 2007. Included in interest expense is the amortization of deferred finance costs in the amount of $0.3 million and $0.2 million in the first quarter of 2008 and 2007, respectively, relating to the Company's 9.625% Senior Notes due 2010 (the "Senior Notes"). The Company's policy is to defer and amortize all the costs relating to a debt financing, paid directly to the debt provider, 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, 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. As at March 31, 2008, the Company had a gross deferred income tax asset of $52.9 million, against which the Company is carrying a $52.9 million valuation allowance. The Company recorded an income tax provision of $0.3 million for the three months ended March 31, 2008, of which $0.2 million is related to an increase in unrecognized tax benefits. For the three months ended March 31, 2007 the Company recorded an income tax provision of $0.2 million, of which less than $0.1 million was related to an increase in unrecognized tax benefits.

Research and Development

Research and development expenses amounted to $2.5 million in the first quarter of 2008 compared to $1.5 million in the first quarter of 2007. The expenses primarily reflect research and development activities pertaining to development of the Company's new proprietary digitally-based theater projector. Through research and development, the Company continues to design and develop cinema-based equipment, software and other technologies to enhance its product offering. The Company believes that the motion picture industry will be affected by the development of digital technologies, particularly in the areas of content creation (image capture), post-production (editing and special effects), distribution and display. Consequently, the Company has made significant investments in digital technologies, including the development of proprietary, patent-pending technology related to a digital projector, as well as technologies to digitally enhance image resolution and quality of motion picture films, and convert monoscopic (2D) to stereoscopic (3D) images. The Company also holds a number of patents, patents pending and intellectual property rights in these areas. In addition, the Company holds numerous digital patents and long-term relationships with key manufacturers and suppliers in digital technology. However, there can be no assurance that the Company will be awarded patents covering its technology or that competitors will not develop similar technologies.

In recent years, a number of companies have introduced digital 3D projection technology and a small number of Hollywood features have been exhibited in 3D using these technologies. The Company believes that there are approximately 1,000 conventional-sized screens in the U.S. multiplexes equipped with such digital 3D systems. The Company believes that its many competitive strengths, including the IMAX brand name, the quality and immersiveness of *The* IMAX *Experience*, its IMAX DMR technology and its patented theater geometry significantly differentiate the Company's 3D presentations from any other 3D presentations. Consistent with this view, for the small number of films released to both IMAX 3D theaters and conventional 3D theaters, the IMAX theaters have significantly outperformed the conventional theaters on a per-screen revenue basis.

Discontinued Operations

On December 31, 2007, the Company entered into a lease termination agreement, which extinguished all of its obligations to its landlord with respect to the Company's owned and operated Providence IMAX theater. As a result of the lease termination, the Company recorded a non-cash gain of $1.5 million in December 2007, associated with the reversal of deferred lease credits recorded in prior periods. In a related transaction, the Company sold the theater projection system and inventory for the Providence IMAX theater to a third party theater exhibitor for $1.0 million (consisting of $0.6 million cash and $0.4 million of discounted future minimum payments) which was recorded as a gain from discontinued operations in December 2007. The above transactions were reflected as discontinued operations as the continuing cash flows are not generated from either a migration or a continuation of activities.

Pension and Postretirement Obligations

The Company has an unfunded U.S. defined benefit pension plan, the Supplemental Executive Retirement Plan (the "SERP"), covering its two Co-CEOs. As at March 31, 2008, the Company had an unfunded and accrued projected benefit obligation of approximately $27.6 million (December 31, 2007 — $27.1 million) in respect of the SERP. At the time the Company established the SERP, it also took out life insurance policies on its two Co-CEOs with coverage amounts of $21.5 million in aggregate. The Company may use the proceeds of the life insurance policies taken on its Co-CEOs towards the benefits due and payable under the SERP, although there can be no assurance that the Company will ultimately do so. As at March 31, 2008, the cash surrender value of the insurance policies is $5.4 million (December 31, 2007 — $5.2 million).

On March 8, 2006, the Company and the Co-CEOs negotiated an amendment effective January 1, 2006 to the SERP covering its two Co-CEOs which reduced the related pension expense to the Company. Under the original terms of the SERP, once benefit payments begin, the benefit is indexed annually to the cost of living and further provides for 100% continuance for life to the surviving spouse. The Company, represented by the Independent Directors, who retained Mercer Human Resources Consulting and outside legal counsel to advise them on certain

analyses regarding the SERP. Under the terms of the SERP amendment, to reduce the ongoing costs to the Company, the cost of living adjustment and surviving spouse benefits previously owed to the Co-CEOs are each reduced by 50%, subject to a recoupment of a percentage of such benefits upon a change of control of the Company, and the net present value of the reduced benefit payments is accelerated and paid out upon a change of control of the Company. The amendment resulted in a credit to accumulated other comprehensive income of $2.8 million, a reduction of other assets of $3.4 million, and a reduction in accrued pension liability of $6.2 million. The benefits were 50% vested as at July 2000, the SERP initiation date. The vesting percentage increases on a straight-line basis from inception until age 55. The vesting percentage of a member whose employment terminates other than by voluntary retirement or upon change of control shall be 100%.

On May 4, 2007, the Company amended the SERP to provide for the determination of benefits to be 75% of the member's best average 60 consecutive months of earnings over the member's employment history. The actuarial liability was remeasured to reflect this amendment. The amendment resulted in a $1.0 million increase to the pension liability and a corresponding $1.0 million change to other comprehensive income. As at March 31, 2008, one of the Co-CEO's benefits was 100% vested and the other Co-CEO's benefits were approximately 88% vested.

A Co-CEO whose employment terminates other than for cause prior to August 1, 2010 will receive SERP benefits in the form of monthly annuity payments until the earlier of a change of control or August 1, 2010 at which time the Co-CEO shall receive remaining benefits in the form of a lump sum payment. A Co-CEO whose employment terminates other than for cause on or after August 1, 2010 shall receive SERP benefits in the form of a lump sum payment.

In July 2000, the Company agreed to maintain health benefits for its two Co-CEOs upon retirement. As at March 31, 2008, the Company had an unfunded benefit obligation of $0.4 million (December 31, 2007 — $0.4 million).

LIQUIDITY AND CAPITAL RESOURCES

Credit Facility

Under the Indenture governing the Company's Senior Notes, the Company is permitted to incur indebtedness on a secured basis pursuant to a credit agreement, or the refinancing or replacement of a credit facility, provided that the aggregate principal amount of indebtedness thereunder outstanding at any time does not exceed the greater of a) $30.0 million minus the amount of any such indebtedness retired with the proceeds of an Asset Sale (as defined in the Indenture) and (b) 15% of Total Assets (as defined in the Indenture) of the Company. Amongst other indebtedness, the Indenture also permits the Company to incur indebtedness solely in respect of performance, surety or appeal bonds, letters of credit and letters of guarantee as required in the ordinary course of business in accordance with customary industry practices. On February 6, 2004, the Company entered into a Loan Agreement for a secured revolving credit facility as amended on June 30, 2005, May 16, 2006, November 7, 2007 and December 5, 2007 (the "Credit Facility"). The Credit Facility is a revolving credit facility expiring on October 31, 2009 with an optional one year renewal thereafter contingent upon approval by the lender, permitting maximum aggregate borrowings equal to the lesser of (i) $40.0 million, (ii) a collateral calculation based on percentages of the book values for the Company's net investment in sales-type leases, financing receivables, finished goods inventory allocated to backlog contracts and the appraised values of the expected future cash flows related to operating leases and of the Company's owned real property, reduced by certain accruals and accounts payable, and (iii) a minimum level of trailing cash collections in the preceding twenty-six week period ($71.1 million as at March 31, 2008); reduced for outstanding letters of credit and advance payment guarantees and subject to maintaining a minimum Excess Availability (as defined in the Credit Facility) of $5.0 million. As at March 31, 2008, the Company's current borrowing capacity under the Credit Facility was $20.3 million after deduction for outstanding letters of credit and advance payment guarantees of $9.4 million and the minimum Excess Availability of $5.0 million. Subsequent to March 31, 2008, the Company was successful in transferring $4.1M of these advance payment guarantees to the separate line available with the Bank of Montreal. The effect was to increase the Company's borrowing capacity under the Credit Facility by $4.1M. The Credit Facility bears interest at the applicable prime rate per annum or

LIBOR plus a margin as specified therein 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. In addition, the Credit Facility agreement contains customary events of default, including upon an acquisition or a change of control that may have a material adverse effect on the Company or a guarantor. The Credit Facility also requires the Company to maintain, over a period of time, a minimum level of adjusted earnings before interest, taxes, depreciation and amortization including film asset amortization, stock and non-cash compensation, write downs (recoveries), asset impairment charges, and other non-cash uses of funds on a trailing four quarter basis calculated quarterly, of not less than $20.0 million (the "EBITDA Requirement"); provided, however, that the EBITDA Requirement shall be $12.5 million for the four quarters ending each of December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008. Furthermore, the Company is required to maintain a minimum Cash and Excess Availability (as defined in the Credit Facility) balance not less than $15.0 million.

On May 5, 2008, the Company entered into an amendment to the Credit Facility with effect from January 1, 2008, whereby the minimum Cash and Excess Availability balance is reduced to $7.5 million. Under the terms of this amendment, the Company shall not be subject to the EBITDA Requirement so long as the Company is in compliance with the Cash and Excess Availability requirements. This amendment also provides for a one-year extension of the expiration of the Credit Facility to October 31, 2010 and adjusts the collateral calculation for certain finished goods inventory items to be installed under joint revenue sharing arrangements, which could result in an increase to maximum aggregate borrowings of up to $3.0 million in the future. In the event that the Company's Excess Availability falls below the $5.0 million requirement, the excess borrowings above the minimum availability requirement must be remedied immediately. Failure to remedy will result in a Cash Dominion Event and an Event of Default (as defined in the Credit Facility). The failure to comply with the Cash and Excess Availability requirement of $7.5 million would continue to result in an immediate Cash Dominion Event and Event of Default. If the Credit Facility were to be terminated by either the Company or the lender, the Company would have the ability to pursue another source of secured financing pursuant to the terms of the Indenture.

As of March 31, 2008, the Company had not drawn down any funds under the Credit Facility and was in compliance with all covenants under the agreement.

Under the terms of the Credit Facility, the Company has to comply with several reporting requirements including the delivery of audited consolidated financial statements within 120 days of the end of the fiscal year. In March 2007, the Company delayed the filing of its Annual Report on Form 10-K for the year ended December 31, 2006 beyond the filing deadline in order to restate financial statements for periods during the fiscal years 2002 — 2006. On March 27, 2007, the Credit Facility lender waived the requirement for the Company to deliver audited consolidated financial statements within 120 days of the end of the fiscal year ended December 31, 2006, provided such statements and documents are delivered on or before June 30, 2007. On June 27, 2007, the Credit Facility lender agreed that an event of default would not be deemed to have occurred unless the Company's 2006 Annual Report on Form 10-K filing did not occur by July 31, 2007 or upon the occurrence and continuance of an event of default under the Company's Indenture governing its Senior Notes which goes uncured within the applicable grace period. The Company cured such default under the Indenture by filing its 2006 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 on July 20, 2007, within the applicable grace period.

Cash and Cash Equivalents

As at March 31, 2008, the Company's principal sources of liquidity included cash and cash equivalents of $18.1 million, the Credit Facility, trade accounts receivable of $20.6 million and anticipated collection from financing receivables due in the next 12 months of $10.2 million. As at March 31, 2008, the Company has not drawn down on the Credit Facility, and has letters of credit and outstanding advance payment guarantees of $9.4 million secured by the Credit Facility arrangement. In addition, on May 8, 2008, the Company sold The Douglas Group,

the Company's largest shareholder, 2,726,447**,** of the Company's common shares for a total purchase price of $18.0 million.

The Company currently believes that cash flow from operations together with existing cash and borrowing available under the Credit Facility will be sufficient to fund the Company's business operations, including its strategic initiatives relating to joint revenue sharing arrangements, and to fund the development of its proprietary digitally-based projection system. The Company similarly believes it will be able to continue to meet customer commitments for at least the 12 month period commencing April 1, 2008. However, the Company's operating cash flow will be adversely 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 cash flows are based on estimates and there may be factors that are outside of the Company's control (see "Risk Factors" in Item 1A in the Company's 2007 Form 10-K), 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 sale and sales-type 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, costs associated with contributing systems under joint revenue sharing arrangements, the box-office performance of films distributed by the Company and/or exhibited in the Company's theaters, increases or decreases in the Company's operating expenses, including research and development, and the level of cash collections received from its customers.

Cash provided by operating activities amounted to $3.1 million for the three months ended March 31, 2008. Changes in other non-cash operating assets as compared to December 31, 2007 include: a $0.3 million increase in commissions and other deferred selling expenses, a decrease of $0.5 million in inventories, a decrease of $1.1 million in financing receivables, a $4.1 million decrease in accounts receivable, a decrease in insurance recoveries of $1.0 million and a $1.5 million increase in prepaid expenses, which primarily relates to prepaid insurance. Changes in other non-cash operating liabilities as compared to December 31, 2007 include an increase in deferred revenue of $8.0 million and a decrease in accounts payable of $3.5 million. Included in accrued liabilities at March 31, 2008, was $27.6 million in respect of accrued pension obligations which are mainly long-term in nature. Investment in film assets was $2.4 million at March 31, 2008.

Net cash used in investing activities amounted to $1.9 million in the three months ended March 31, 2008, which includes purchases of $1.8 million in property, plant and equipment net of sales proceeds, an increase in other assets of $0.1 million and an increase in other intangible assets of $0.1 million.

Cash provided by financing activities in the three months ended March 31, 2008 amounted to $0.3 million due primarily to the issuance of common shares in the period.

Capital expenditures, including the purchase of property, plant and equipment and investments in film assets were $4.2 million for the three months ended March 31, 2008.

Net cash provided by operating activities amounted to $0.6 million for the three months ended March 31, 2007. Changes in other non-cash operating assets and liabilities include an decrease in accounts payable of $6.1 million, an increase in accrued liabilities of $0.1 million, an increase in deferred revenue of $1.0 million, a decrease of $0.2 million in inventories and a decrease in trade accounts receivable and financing receivables of $7.4 million. Cash used in investing activities for the three months ended March 31, 2007 amounted to $0.5 million, primarily consisting of $2.1 million invested in short-term investments, $2.1 million received from proceeds of short-term investments, purchase of $0.1 million in property, plant and equipment, an increase of $0.2 million in other assets and an increase in other intangible assets of $0.1 million. No cash was used in or provided by financing activities in the first quarter of 2007. Capital expenditures including the purchase of property, plant and equipment net of sales proceeds and investment in film assets were $1.4 million for the three months ended March 31, 2007.

Letters of Credit and Other Commitments

As at March 31, 2008, the Company had letters of credit and advance payment guarantees of $9.4 million outstanding, of which the entire balance had been secured by the Credit Facility. The Company also had available a $5.0 million facility for performance guarantees and letters of credit through the Bank of Montreal for use solely in conjunction with guarantees fully insured by Export Development Canada. As at March 31, 2008, the Company had $nil (December 31, 2007 — $nil) outstanding under this facility. Subsequent to March 31, 2008, the Company transferred $4.1M of these advance payment guarantees from the Credit Facility to this separate line available with the Bank of Montreal.

Senior Notes due 2010

As at March 31, 2008, the Company had outstanding $159.0 million (December 31, 2007 — $159.0 million) aggregate principal of Registered Senior Notes and $1.0 million (December 31, 2007 — $1.0 million) aggregate principal of Unregistered Senior Notes. The Registered Senior Notes and the Unregistered Senior Notes are referred to herein as the “Senior Notes”.

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 terms of the Company’s Senior Notes require that annual and quarterly financial statements are filed with the Trustee within 15 days of the required public company filing deadlines. If these financial reporting covenants are breached then this is considered an event of default under the terms of the Senior Notes and the Company has 30 days to cure this default, after which the Senior Notes become due and payable.

In March 2007, the Company delayed the filing of its Annual Report on Form 10-K for the year ended December 31, 2006 beyond the required public company filing deadline due to the discovery of certain accounting errors, broadened its accounting review to include certain other accounting matters based on comments received by the Company from the SEC and the Ontario Securities Commission (the “OSC”), and ultimately restated financial statements for certain periods. The filing delay resulted in the Company being in default of a financial reporting covenant under the indenture dated as at December 4, 2003, and as thereafter amended and supplemented, governing the Company’s Senior Notes due 2010 (the “Indenture”).

On April 16, 2007 the Company completed a consent solicitation, receiving consents from holders of approximately 60% aggregate principal amount of the Senior Notes (the “Consenting Holders”) to execute a ninth supplemental indenture (the “Supplemental Indenture”) to the Indenture with the Guarantors named therein and U.S. Bank National Association. The Supplemental Indenture waived any defaults existing at such time arising from a failure by the Company to comply with the Indenture’s reporting covenant requiring that annual and quarterly financial statements are filed with the trustee within 15 days of the required public company filing deadlines, and extended until May 31, 2007, or at the Company’s election until June 30, 2007 (the “Covenant Reversion Date”), the date by which the Company’s failure to comply with the reporting covenant shall constitute a default, or be the basis for an event of default under the Indenture. The Company paid consent fees of $1.0 million to the Consenting Holders. On May 30, 2007, the Company provided notice to the holders of the Senior Notes of its election to extend the Covenant Reversion Date to June 30, 2007. The Company paid additional consent fees of $0.5 million to the Consenting Holders. Because the Company did not file its Annual Report on Form 10-K for the year ended December 31, 2006 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 by June 30, 2007, it was in default of the reporting covenant under the Indenture on July 1, 2007, and received notice of such default on July 2, 2007. The Company cured such default under the Indenture by filing its 2006 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 on July 20, 2007.

Digital Projection System

On December 7, 2007, the Company announced a significant joint revenue sharing arrangement with AMC for the installation of 100 digital projection systems to be installed between the latter half of 2008 through 2010. The Company has projected that the deal will ultimately double the size of the commercial IMAX theater network in North America and triple the number of IMAX theaters in North American multiplexes, which are the primary targets of the Company's business efforts. In December 2007, the Company announced that it estimates that the AMC agreement will generate $35.0 million in incremental EBITDA and $229.0 million in cumulated cash flow over 10 years, under certain assumptions. The system roll-out is to be implemented in two phases of 50 systems each; with the rollout of the second phase subject to certain performance thresholds that the Company believes will be met.

Furthermore, the Company and Regal announced on March 24, 2008 a joint revenue sharing agreement to install 31 digital projection systems at Regal locations in 20 major U.S. markets. This is the third-largest deal in the Company's history.

The Company anticipates meeting the cash requirements needed to manufacture the digital projection systems scheduled for installation in 2008 in its joint venture arrangements through a combination of cash inflows from operations and draws on its Credit Facility.

In addition, on March 10, 2008, the Company announced an agreement for 35 digital theater systems (under its traditional sales/sales-type-lease structure) with RACIMEC to be installed in Central and South America and the Caribbean. This is the second-largest theater deal in the Company's history, following on the heels of AMC's 100 theater North American deal. Under the terms of the agreement, RACIMEC has provided an initial down-payment for the purchase of these theater systems.

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.

CONTRACTUAL OBLIGATIONS

Payments to be made by the Company under contractual obligations are as follows:

	Payments Due by Period				
(In thousands of U.S. dollars)	Total	1 Year	2-3 Years	4-5 Years	More Than 5 Years
Long-term debt obligations					
Principal	$ 160,000	$ —	$160,000	$ —	$ —
Interest	41,067	15,400	25,667	—	—
Capital lease obligations	244	155	89	—	—
Operating lease obligations	31,151	4,005	10,680	11,384	5,082
Pension obligations	32,135	—	32,135	—	—
Purchase obligations	1,391	287	1,104	—	—
	$ 265,988	$19,847	$229,675	$11,384	$ 5,082

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 cash 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 cash 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. For the quarter ended March 31, 2008, the Company recorded a translation loss of $0.2 million (2007 — gain of $0.1 million) primarily from the receivables associated with leases denominated in Canadian dollars, as the value of the U.S. dollar declined in relation to the Canadian dollar. The decline in the value of the U.S. dollar also had an impact on working capital given the appreciation in value of the Canadian dollar, Euro and Japanese yen.

Item 4. ***Controls and Procedures***

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the specified time periods and that such information is accumulated and communicated to management, including the Co-CEOs and Chief Financial Officer (“CFO”), to allow timely discussions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Company’s management, with the participation of its Co-CEOs and its CFO have evaluated the effectiveness of the Company’s “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as at March 31, 2008. Based on that evaluation and because of the identification of certain material weaknesses in the Company’s internal control over financial reporting, as discussed in Management’s Annual Report on Internal Control over Financial Reporting below, the Co-CEOs and the CFO have concluded that the Company’s disclosure controls and procedures were not effective as at March 31, 2008.

In making this evaluation, management, including the Co-CEOs and the CFO, considered, among other matters:

- the identification of certain material weaknesses in the Company’s internal control over financial reporting, as discussed in the Company’s 2007 Form 10-K (and as described below);
- and the conclusion of the Co-CEOs and the CFO that the Company’s disclosure controls and procedures as at December 31, 2007 were not effective, as discussed in the Company’s 2007 Form 10-K.

At March 31, 2008, the Company has made significant progress in implementing its remediation plan to address material weaknesses identified at December 31, 2007, however the remediation plan remains in progress and therefore all previously reported material weaknesses continue to exist at March 31, 2008.

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework in Internal Control-Integrated Framework to assess the effectiveness of the Company’s internal control over financial reporting.

Based on this assessment, management has concluded that such internal control over financial reporting was not effective as at March 31, 2008 due to the material weaknesses identified and discussed below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that

controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the annual or interim condensed consolidated financial statements will not be prevented or detected on a timely basis.

As previously disclosed in Item 9A of the Company's 2007 Form 10-K, the Company's Co-CEOs and CFO assessed the effectiveness of the Company's internal control over financial reporting, and concluded that the following material weaknesses in internal control over financial reporting existed as at December 31, 2007, all of which had not yet been remediated as at March 31, 2008.

Application of U.S. GAAP

Six of the Company's material weaknesses relate to controls over the analysis and review of certain transactions to be able to correctly apply U.S. GAAP to record those transactions. The financial impact of these material weaknesses on the Company's financial results was principally related to the analysis and review of transactions which were complex or nonstandard. These material weaknesses are:

1. The Company did not maintain adequate controls, including period-end controls, over the analysis and review of revenue recognition for sales and lease transactions in accordance with U.S. GAAP. Specifically, effective controls were not maintained to correctly assess the identification of deliverables and their aggregation into units of accounting and in certain cases the point when certain units of accounting were substantially complete to allow for revenue recognition on a theater system.

   In addition, the Company did not maintain effective controls over other aspects of such transactions including identifying the fair values of certain future deliverables, identifying certain clauses in arrangements that impact revenue recognition, accounting for warranty costs, the appropriate accounting for certain settlement agreements and the recognition of finance income on impaired receivables. This could impact the amount and timing of recorded revenue.

2. The Company did not maintain effective controls, including period-end controls, over accounting for film transactions in accordance with U.S. GAAP. Specifically, effective controls were not maintained related to (i) the classification and accurate recording of marketing and advertising costs of co-produced film productions which could result in higher film assets, (ii) production fees on co-produced films and the application of the individual-film forecast computation method to film assets, participation liabilities and deferred production fees which could impact the timing of film costs and revenues and (iii) record changes in estimates of ultimate film revenues in accordance with SOP 00-2 on a prospective basis which could impact the timing of recognizing film-related costs.

3. The Company did not maintain effective controls, including period-end controls, over accounting for inventories in accordance with U.S. GAAP. Specifically, the Company did not maintain effective controls related to the classification of certain fees paid to a professional services firm, which resulted in an overstatement of inventory and an understatement of selling expenses in the periods affected. In 2007, the Company did not maintain effective controls related to the methodology initially used by the Company to determine its net realizable value for film-based projection systems and related raw materials inventories. In addition, the methodology used to initially cost raw materials were not operating effectively, which could result in a misstatement of inventory carrying value.

4. The Company did not maintain adequate controls, including period-end controls, over the complete and accurate recording of postretirement benefits other than pensions in accordance with U.S. GAAP. Specifically, effective controls were not maintained over the complete identification of all relevant contractual provisions within its executive employment contracts. This could impact the timing of costs being recorded in relation to post-retirement benefits.

5. The Company did not maintain adequate controls, including period-end controls, over the complete and accurate recording of transactions related to real estate lease arrangements for owned and operated theaters and corporate offices in accordance with U.S. GAAP. Specifically, effective controls were not maintained over the complete identification of all relevant contractual provisions including lease inducements, construction allowances, rent holidays, escalation clauses and lease commencement dates. In addition, adequate controls were not maintained over the accurate recording of rent abatements received in subsequent periods. This could impact the amount and timing of recording rent expense.

6. The Company did not maintain effective controls, including period-end controls, over the intraperiod allocation of the provision for income taxes in accordance with U.S. GAAP. Specifically, effective controls were not in place such that the tax provisions were appropriately allocated to continuing operations, discontinued operations, and accumulated other comprehensive income. This could impact the proper classification of the provision for income taxes between continuing operations, discontinued operations and accumulated other comprehensive income.

Cross-departmental Communication

Two of the Company's material weaknesses relate to controls over the lines of communication between different departments. These material weaknesses are:

7. The Company did not maintain adequate controls over the lines of communication between operational departments and the Finance Department related to revenue recognition for sales and lease transactions. Specifically, effective controls were not maintained to raise on a timely basis certain issues relating to observations of the installation process, any remaining installation or operating obligations, and concessions on contractual terms that may impact the accuracy and timing of revenue recognition. This could impact the appropriate recording of revenue.

8. The Company did not maintain adequate controls over the timely communication between departments of information relating to developing issues that may impact the Company's financial reporting. Specifically, effective controls were not maintained over the status of a review of cap limits under the Company's Stock Option Plan that affected the recording and related disclosure of stock-based compensation benefits. This could impact the recorded amount and timing of stock-based compensation.

Each of the control deficiencies above could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Management determined that each of these control deficiencies discussed above constitutes a material weakness at March 31, 2008.

REMEDIATION PLAN

The Company's management, including the Co-CEOs and CFO, are committed to remediating its material weaknesses in internal control over financial reporting by enhancing existing controls and introducing new controls in all necessary areas. The smooth functioning of the Company's finance area is of the highest priority for the Company's management. Remediation activities have included, and continue to include the following:

The Company will strengthen U.S. GAAP awareness throughout all levels of the Finance Department to help prevent material misstatements. The objective of strengthening U.S. GAAP awareness is to enable personnel throughout all levels of the Finance Department to recognize complex or atypical situations in the day-to-day operations which may require further analysis.

The Company will enhance cross-functional communications to assist in preventing material misstatements. The objective of enhancing cross-functional communications is to provide an effective forum through which all relevant information pertaining to transactions could be sought by, and communicated to, the Finance Department for consideration of accounting implications.

The following specific remediation steps have been introduced by the Company in 2007:

Enhancing controls for accounting for sales and lease transactions in accordance with U.S. GAAP as follows:

- Revising the revenue recognition policy to provide for guidance on the conditions that must be met in order for revenue to be recognized in accordance with U.S. GAAP and to address circumstances found within IMAX arrangements including allocating fair value for certain additional deliverables found in an arrangement.
- Documenting a detailed analysis for all sales and lease transactions, with appropriate review, to help ensure that the timing of revenue recognition is appropriate and that all contractual provisions have been sufficiently considered in determining the timing and amounts of revenue to be recognized.

Enhancing controls for accounting for film transactions in accordance with U.S. GAAP as follows:

- Maintaining a screening process whereby management reviews the film agreements to identify complexities and considerations that need to be made when accounting for films.
- Regularly scheduling meetings between the Film Group and Finance to discuss developments related to the Company’s film slate.
- Providing training with respect to Accounting by Producers or Distributors of Films (SOP 00-2) to key personnel, as required.

Enhancing controls for accounting for costs related to inventory in accordance with U.S. GAAP as follows:

- Developing and distributing to appropriate personnel a detailed inventory policy providing for guidance on evaluating matters such as the nature of costs that can be capitalized to inventory and inventory obsolescence.
- Holding supplemental meetings, as-needed, between key operational and finance personnel, to identify any non-standard costs and determine if special accounting treatment is required.

Enhancing controls to capture all postretirement benefits other than pensions included with executive employment contracts as follows:

- Holding monthly management meetings of senior executives in Human Resources, Legal and Finance to discuss issues, developments, and changes relating to benefits, other than pensions.

Enhancing controls over the complete and accurate recording of transactions related to real estate lease arrangements for owned and operated theaters or corporate offices in accordance with U.S. GAAP as follows:

- Documenting a detailed analysis highlighting key terms of all agreements. Reviewing agreements and related analysis by key finance personnel to help ensure the complete and accurate recording of real estate lease arrangements.

Enhancing controls for accounting for the intraperiod allocation of the provision for income taxes as follows:

- Establishing a formal calculation/reconciliation of the intraperiod allocation of income taxes for review by key finance personnel.

Enhancing controls over the lines of communication between operations departments and the Finance department related to revenue recognition for sales and lease transactions as follows:

- Holding formalized meetings twice a month involving key individuals within Theater Development, Corporate Development, Legal and Business Affairs, and Senior Finance management, with a standard agenda to ensure key discussion items are addressed at these meetings.

The following specific remediation step was introduced enhancing controls over the issuance of stock options:

- Reviewing the stock-option issuance cap calculation on a periodic basis in conjunction with the granting of stock options.

At March 31, 2008, the Company has made significant progress in implementing this remediation plan, but it remains in progress and therefore all previously reported material weaknesses continue to exist at March 31, 2008. The Company's management, including the Co-CEOs and the CFO believe that the plan should be fully implemented, and all material weaknesses remediated in 2008. They will continue to monitor the effectiveness of these actions and will make any changes and take such other actions deemed appropriate given the circumstances.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Aside from the remediation efforts described above, there were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2008 that have materially affected, or are 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. On March 10, 2006, the Company and In-Three entered into a settlement agreement settling the dispute between the Company and In-Three. On June 12, 2006, the U.S. District Court for the Central District of California, Western Division, entered a stay in the proceedings against In-Three pending the arbitration of disputes between the Company and 3DMG. Arbitration was initiated by the Company against 3DMG on May 15, 2006 before the International Centre for Dispute Resolution in New York, alleging breaches of the license and consulting agreements between the Company and 3DMG. On June 15, 2006, 3DMG filed an answer denying any breaches and asserting counterclaims that the Company breached the parties’ license agreement. On June 21, 2007, the Arbitration Panel unanimously denied 3DMG’s Motion for Summary Judgment filed on April 11, 2007 concerning the Company’s claims and 3DMG’s counterclaims. On October 5, 2007, 3DMG amended its counterclaims and added counterclaims from UNIPAT.ORG relating to fees allegedly owed to UNIPAT.ORG by the Company. An evidentiary hearing on liability issues originally scheduled for June 2008 has been postponed until a later date to be set by the Arbitration Panel. Further proceedings on damages issues will be scheduled if and when necessary. The Company will continue to pursue its claims vigorously and believes that all allegations made by 3DMG are without merit. The Company further believes that the amount of 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 the arbitration.

(b) In January 2004, the Company and IMAX Theatre Services Ltd., a subsidiary of the Company, commenced an arbitration seeking damages of approximately $3.7 million before the International Court of Arbitration of the International Chambers of Commerce (the “ICC”) with respect to the breach by Electronic Media Limited (“EML”) of its December 2000 agreement with the Company. In 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 in damages as a result of E-Citi’s breach of a September 2000 lease agreement. The damages sought against E-Citi included the original claim sought against EML. An arbitration hearing took place in November 2005 against E-Citi, which included all claims by the Company. On February 1, 2006, the ICC issued an award on liability finding unanimously in the Company’s favor on all claims. Further hearings took place in July 2006 and December 2006. On August 24, 2007, the ICC issued an award unanimously in favor of the Company in the amount of $9.4 million, consisting of past and future rents owed to the Company under its lease agreements, plus interest and costs. In the award, the ICC upheld the validity and enforceability of the Company’s theater system contract. The Company thereafter submitted its application to the arbitration panel for interest and costs. On March 27, 2008, the Panel issued a final award in favor of the Company in the amount of $11,309,496, plus an additional $2,512 each day in interest from October 1, 2007 until the date the award is paid, which the Company will seek to enforce and collect in full.

(c) In June 2004, Robots of Mars, Inc. (“Robots”) initiated an arbitration proceeding against the Company in California with the American Arbitration Association pursuant to an arbitration provision in a 1994 film production agreement between Robots’ predecessor-in-interest and a subsidiary of the Company, asserting claims for breach of contract, fraud, breach of fiduciary duty and intentional interference with the contract. Robots is seeking an accounting of the Company’s revenues and an award of all sums alleged to be due to Robots under the production agreement, as well as punitive damages. The Company intends to vigorously defend the arbitration proceeding and believes the amount of the loss, if any, that may be suffered in connection with this proceeding will not have a material impact on the financial position or results of operations of the Company, although no assurance can be given with respect to the ultimate outcome of such arbitration.

(d) The Company and certain of its officers and directors were named as defendants in eight purported class action lawsuits filed between August 11, 2006 and September 18, 2006, alleging violations of U.S. federal securities laws. These eight actions were filed in the U.S. District Court for the Southern District of New York. On January 18, 2007, the Court consolidated all eight class action lawsuits and appointed Westchester Capital Management, Inc. as

the lead plaintiff and Abbey Spanier Rodd & Abrams, LLP as lead plaintiff's counsel. On October 2, 2007, plaintiffs filed a consolidated amended class action complaint. The amended complaint, brought on behalf of shareholders who purchased the Company's common stock between February 27, 2003 and July 20, 2007, alleges primarily that the defendants engaged in securities fraud by disseminating materially false and misleading statements during the class period regarding the Company's revenue recognition of theater system installations, and failing to disclose material information concerning the Company's revenue recognition practices. The amended complaint also added PricewaterhouseCoopers LLP, the Company's auditors, as a defendant. The lawsuit seeks unspecified compensatory damages, costs, and expenses. The defendants filed a motion to dismiss the amended complaint on December 10, 2007, which is still pending. Plaintiffs filed their opposition to this motion on January 22, 2008. Defendants submitted a reply to plaintiffs' opposition on February 11, 2008. The lawsuit is at a very early stage and as a result the Company is not able to estimate a potential loss exposure. The Company will vigorously defend the matter, although no assurances can be given with respect to the outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(e) A class action lawsuit was filed on September 20, 2006 in the Ontario Superior Court of Justice against the Company and certain of its officers and directors, alleging violations of Canadian securities laws. This lawsuit was brought on behalf of shareholders who acquired the Company's securities between February 17, 2006 and August 9, 2006. A hearing regarding the combined leave to amend and certification motions has been scheduled for the week of June 2, 2008. The lawsuit is in a very early stage and seeks unspecified compensatory and punitive damages, as well as costs and expenses. As a result, the Company is unable to estimate a potential loss exposure. The Company believes the allegations made against it in the statement of claim are meritless and will vigorously defend the matter, although no assurance can be given with respect to the ultimate outcome of such proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(f) On September 7, 2007, Catalyst Fund Limited Partnership II ("Catalyst"), a holder of the Company's Senior Notes, commenced an application against the Company in the Ontario Superior Court of Justice for a declaration of oppression pursuant to sections 229 and 241 of the Canada Business Corporations Act ("CBCA") and for a declaration that the Company is in default of the Indenture governing its Senior Notes. The allegations of oppression are substantially the same as allegations Catalyst made in a May 10, 2007 complaint filed against the Company in the Supreme Court of the State of New York, and subsequently withdrawn on October 12, 2007, wherein Catalyst challenged the validity of the consent solicitation through which the Company requested and obtained a waiver of any and all defaults arising from a failure to comply with the reporting covenant under the Indenture and alleged common law fraud. Catalyst has also requested the appointment of an inspector and an order that an investigation be carried out pursuant to section 229 of the CBCA. In addition, between March 2007 and October 2007, Catalyst sent the Company eight purported notices of default or acceleration under the Indenture. It is the Company's position that no event of default (as that term is defined in the Indenture) has occurred under the Indenture and, accordingly, that Catalyst's purported acceleration notice is of no force or effect. The hearing date has not yet been finalized by the Court. At this stage of the litigation, the Company is not able to estimate a potential loss exposure. The Company believes this application is entirely without merit and plans to contest it vigorously and seek costs from Catalyst, although no assurances can be given with respect to the outcome of the proceedings. The Company's directors and officers insurance policy provides for reimbursement of costs and expenses incurred in connection with this lawsuit as well as potential damages awarded, if any, subject to certain policy limits and deductibles.

(g) In a related matter, on December 21, 2007, U.S. Bank National Association, trustee under the Indenture, filed a complaint in the Supreme Court of the State of New York against the Company and Catalyst, requesting a declaration that the theory of default asserted by Catalyst before the Ontario Superior Court of Justice is without merit and further that Catalyst has failed to satisfy certain prerequisites to bondholder action, which are contained in the Indenture (the "U.S. Bank's New York Action"). As a result of this action, on January 10, 2008, the Company filed a motion with the Ontario Superior Court of Justice seeking a stay of all or part of the action Catalyst initiated

before that court. On February 6, 2008, the Company served a Verified Answer to U.S. Bank's New York Action. On February 22, 2008, Catalyst filed a Verified Answer to U.S. Bank's New York Action and Cross-Claims against the Company in the same proceeding. The Cross-Claims repeat the allegations and seek substantially the same relief as in Catalyst's application in the Ontario Superior Court of Justice and as were raised in Catalyst's May 10, 2007 complaint filed against the Company in the Supreme Court of the State of New York. The Company continues to believe that Catalyst's claims are entirely without merit. The litigation is at a preliminary stage and, as a result, the Company is unable to comment on the outcome of the proceedings or estimate the potential loss exposure, if any.

(h) 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.

Item 1A. *Risk Factors*

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. *Submission of Matters to a Vote of Security Holders*

There were no matters submitted to a vote of the security holders during the quarter ended March 31, 2008.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

Exhibit No.	Description
10.31	Fifth Amendment to the Loan Agreement, as of May 5, 2008, between IMAX Corporation and Wachovia Capital Finance Corporation (Canada) (formerly, Congress Financial Corporation (Canada)).
10.32	Securities Purchase Agreement, dated as of May 5, 2008, by and between IMAX Corporation, Douglas Family Trust, James Douglas and Jean Douglas Irrevocable Descendants' Trust, James E. Douglas, III, and K&M Douglas Trust.
31.1	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Bradley J. Wechsler.
31.2	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Richard L. Gelfond.
31.3	Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Joseph Sparacio.
32.1	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Bradley J. Wechsler.
32.2	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Richard L. Gelfond.
32.3	Certification Pursuant to Section 906 of the Sarbanes — Oxley Act of 2002, dated May 12, 2008, by Joseph Sparacio.

IMAX CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMAX CORPORATION

Date: May 12, 2008

By: /s/ JOSEPH SPARACIO
Joseph Sparacio
Executive Vice-President & Chief Financial Officer
(Principal Financial Officer)

Date: May 12, 2008

By: /s/ JEFFREY VANCE
Jeffrey Vance
Vice-President, Finance & Controller
(Principal Accounting Officer)

IMAX CORPORATION

EXHIBIT 10.31

THIS FIFTH AMENDMENT TO THE LOAN AGREEMENT is made as of the 5th day of May, 2008.

BETWEEN:

IMAX CORPORATION
(“**Borrower**”)

- and -

WACHOVIA CAPITAL FINANCE CORPORATION (CANADA)
(formerly, CONGRESS FINANCIAL CORPORATION (CANADA))
(“**Lender**”)

WHEREAS Borrower and Lender entered into a loan agreement dated February 6, 2004 as amended by a first amendment to the loan agreement made as of June 30, 2005, a second amendment to the loan agreement made as of and with effect from the 16th day of May, 2006, a third amendment to the loan agreement made as of and with effect from the 30th day of September, 2007 and a fourth amendment to the loan agreement made as of and with effect from the 5th day of December, 2007 (collectively, the “**Loan Agreement**”), pursuant to which certain credit facilities were established in favour of Borrower;

AND WHEREAS the parties hereto wish to amend certain terms and conditions of the Loan Agreement with effect from January 1, 2008 as hereinafter set forth;

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:

1. **General**

   In this Fifth Amendment to the Loan Agreement, unless otherwise defined or the context otherwise requires, all capitalized terms shall have the respective meanings specified in the Loan Agreement.

2. **To be Read with Loan Agreement**

   Unless the context of this Fifth Amendment to the Loan Agreement otherwise requires, the Loan Agreement and this Fifth Amendment to the Loan Agreement shall be read together and shall have effect as if the provisions of the Loan Agreement and this Fifth Amendment to the Loan Agreement were contained in one agreement. The term “Agreement” when used in the Loan Agreement means the Loan Agreement as amended by this Fifth Amendment to the Loan Agreement, together with all amendments, supplements, restatements and replacements thereto or therefore from time to time.

3. **No Novations**

Nothing in this Fifth Amendment to the Loan Agreement, nor in the Loan Agreement when read together with this Fifth Amendment to the Loan Agreement, shall constitute a novation, payment, re-advance or reduction or termination in respect of any Obligations of Borrower.

4. **Amendments to the Loan Agreement**

(a) Section 1.19 of the Loan Agreement (**Definitions — Cash Dominion Event**) is hereby deleted in its entirety and replaced with the following:

“**1.19** ”**Cash Dominion Event**”

“Cash Dominion Event” shall mean the occurrence and continuance of the earlier of: (i) an Event of Default or (ii) Excess Availability falling below $5,000,000.”

(b) Section 1 of the Loan Agreement (**Definitions — Eligible Contracts in Backlog**) is hereby amended as follows:

(i) to delete the last “and” in subparagraph (viii);

(ii) to delete the period at the end of the subparagraph (ix) and replace it with “; and”; and

(iii) to add a new subparagraph (x) after subparagraph (ix) that reads as follows:

“(x) it is with a Client formed under a joint venture arrangement by the Borrower on terms acceptable to the Lender.”

(c) Section 1.42 of the Loan Agreement (**Definitions — Interest Rate**) is hereby amended to replace the lead-in sentence of subparagraph (b) and subparagraphs (i), (ii) and (iii) with the following:

“(b) commencing on May 1st, 2008 the Applicable Prime Rate or a rate of one and three quarters of one (1.75%) percent per annum in excess of the Libor Rate, as applicable;”

(d) Section 2.1(a)(iii) of the Loan Agreement (**Revolving Loans**) is hereby amended as follows:

(i) to add the following after the word “Inventory” in subparagraph (A):

“; provided however that, for the purposes of this subparagraph (A), the amount of all Eligible Finished Goods Inventory attributable to joint venture arrangements in accordance with the definition of Eligible Contracts in Backlog in Section 1 herein after applying the foregoing formula shall not exceed $3,000,000;”

(ii) to add the following after the word “Appraiser” in subparagraph (B):

“; provided however that, for the purposes of this subparagraph (B), the amount of all Eligible Finished Goods Inventory attributable to joint venture arrangements in accordance with the definition of Eligible Contracts in Backlog in Section 1 herein after applying the foregoing formula shall not exceed $3,000,000;”

(e) Section 9.13 of the Loan Agreement (**EBITDA**) is hereby deleted and replaced with the following:

“**9.13 EBITDA**

Borrower shall, at all times after a breach of the Cash and Excess Availability Covenant under Section 9.23 hereof, maintain EBITDA, calculated quarterly by Lender on a trailing four quarter basis, of not less than $20,000,000 or, in the case of the four fiscal quarters ending on September 30, 2007 only, not less than $17,000,000 or, in the case of the four fiscal quarters ending each of December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008, only, not less than $12,500,000. The EBITDA calculation for the first four quarters occurring subsequent to the date hereof will be based on the historical results set forth on Schedule 9.13 attached hereto until such time as there are a full four quarters of post-closing results.”

(f) Section 9.23 of the Loan Agreement (**Cash and Excess Availability Covenant**), is hereby amended by deleting the reference to “$15,000,000” and replacing it with “$7,500,000”.

(g) Section 10.1 of the Loan Agreement (**Events of Default**) is hereby amended as follows:

(i) to add the following after the words “this Agreement” in Section 10.1(a)(ii):

“or fails to perform any of the covenants contained in Section 9.23 of this Agreement,”

(ii) to delete the words “within three (3) days of” in Section 10.1(a)(ii) and replace it with the following:

“by 5:00 pm on”

(iii) to delete the reference to “9.13” in Section 10.1(a)(iv); and

(iv) to delete Section 10.1(a)(vi) in its entirety.

(h) Section 12.1(a) of the Loan Agreement (**Term**), is hereby amended by deleting the following:

“October 31, 2009; provided that the Borrower may request that the Lender extend the term to October 31, 2010 by giving the Lender notice in writing at least sixty (60) days prior to October 31, 2009. If the Lender agrees to such extension by notice in writing to the

Borrower on or before October 31, 2009, the term will thereby be extended to October 31, 2010.”

and replacing it with the following:

“October 31, 2010. Upon the effective date of termination or non-renewal”

5. **Representations and Warranties**

In order to induce Lender to enter into this Fifth Amendment to the Loan Agreement, Borrower represents and warrants to Lender the following, which representations and warranties shall survive the execution and delivery hereof:

(a) all necessary action, corporate or otherwise, has been taken to authorize the execution, delivery and performance of this Fifth Amendment to the Loan Agreement by Borrower;

(b) Borrower has duly executed and delivered this Fifth Amendment to the Loan Agreement;

(c) this Fifth Amendment to the Loan Agreement is a legal, valid and binding obligation of Borrower, enforceable against it by Lender in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other laws of general application limited the enforcement of creditor’s rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies;

(d) the representations and warranties set forth in Section 8 of the Loan Agreement, as amended by this Fifth Amendment to the Loan Agreement, continue to be true and correct as of the date hereof; and

(e) no Event of Default, or event which, with the passage of time or giving of notice or both, would constitute an Event of Default, exists.

6. **Amendment Fee**

Borrower shall pay to Lender a one-time amendment fee in the amount of US$100,000, which shall be fully earned as of and payable upon the execution of this Fifth Amendment to the Loan Agreement.

7. **Expenses**

Borrower shall pay to Lender on demand all reasonable fees and expenses, including, without limitation, legal fees, incurred by Lender in connection with the preparation, negotiation, completion, execution, delivery and review of this Fifth Amendment to the Loan Agreement and all other documents, registrations and instruments arising therefrom and/or executed in connection therewith.

8. **Conditions Precedent**

This Fifth Amendment to the Loan Agreement shall not be effective until each of the following conditions has been satisfied, or has been waived in writing (in whole or in part) by Lender in its sole discretion. The execution of this Fifth Amendment to the Loan Agreement by Lender shall constitute evidence of the satisfaction and/or waiver of each of the following conditions by Lender:

(a) Lender has received, in form and substance satisfactory to Lender, an original copy of this Fifth Amendment to the Loan Agreement duly executed and delivered by Borrower and each Obligor.

9. **Continuance of the Loan Agreement and Security**

The Loan Agreement, as changed, altered, amended or modified by this Fifth Amendment to the Loan 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 Fifth Amendment to the Loan Agreement, all security and guarantees delivered by Borrower and/or any Obligor 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 Fifth Amendment to the Loan Agreement.

10. **Counterparts & Facsimile**

This Fifth Amendment to the Loan Agreement may be executed in any number of counterparts, by original or facsimile signature, each of which shall be deemed an original and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

11. **Governing Law**

The validity, interpretation and enforcement of this Fifth Amendment to the Loan Agreement and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Ontario and the federal laws of Canada therein.

(Signature Page Follows)

IN WITNESS WHEREOF the parties hereto have executed this Fifth Amendment to the Loan agreement as of and with effect from the day and year first above written.

LENDER

WACHOVIA CAPITAL FINANCE CORPORATION (CANADA)

By: /s/ Niall Hamilton

Title: Senior Vice President

Address:
141 Adelaide Street West, Suite 1500
Toronto, Ontario M5H 3L5
Fax: (416) 364-6060

BORROWER

IMAX CORPORATION

By: /s/ Ed MacNeil

Title: Senior Vice President, Finance

By: /s/ Joseph Sparacio

Title: Executive Vice President and Chief Financial Officer

Address:
110 East 59th Street
New York, New York 10022
Fax: (212) 371-7584

Each of **IMAX U.S.A. Inc.**, **IMAX II U.S.A. Inc.** and **1329507 Ontario Inc.** (collectively, the "**Guarantors**" and each a "**Guarantor**") hereby acknowledges, consents and confirms as follows:

(a) it has reviewed and understands the terms of this Fifth Amendment to the Loan Agreement and consents to the amendment of the Loan Agreement as contemplated herein;

(b) its liability under the guarantee to which it is a party dated February 6, 2004 (each hereinafter referred to as a "**Guarantee**"), is affected by this Fifth Amendment to the Loan Agreement;

(c) the "**Guaranteed Obligations**" (as respectively defined in each Guarantee, as applicable) shall extend to and include all of the obligations of Borrower under the Loan Agreement as amended by this Fifth Amendment to the Loan Agreement;

(d) each of the Guarantees shall continue in full force and effect, enforceable against each of the Guarantors, as applicable, in accordance with its terms; and

(e) each of the security documents or instruments creating a security interest, assignment, hypothec, lien, pledge or other charge granted by the Guarantors to Lender together with all amendments, supplements, restatements or replacements thereto or therefore from time to time remains in full force and effect as at the date hereof, in respect of each of the Guarantor's obligations under the Loan Agreement and Financing Agreements, as amended by this Fifth Amendment to the Loan Agreement.

DATED as of and with effect from 5th day of May, 2008.

IMAX U.S.A. INC.

By: /s/ Ed MacNeil
Name: Ed MacNeil
Title: Vice President
By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

IMAX II U.S.A. INC.

Per: /s/ Ed MacNeil
Name: Ed MacNeil
Title: Vice President
Per: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

1329507 ONTARIO INC.

By: /s/ Ed MacNeil
Name: Ed MacNeil
Title: Vice President
By: /s/ Joseph Sparacio
Name: Joseph Sparacio
Title: Vice President, Finance

IMAX CORPORATION

EXHIBIT 10.32

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "***Agreement***"), dated as of May 5, 2008, by and between IMAX Corporation, a corporation incorporated under the federal laws of Canada (the "***Company***"), and each of the entities whose names appear on the signature page hereof (each, an "***Investor***" and collectively, the "***Investors***").

A. The Company wishes to sell to each Investor, and each Investor wishes to purchase, on the terms and subject to the conditions set forth in this Agreement, common shares, without par value, of the Company (the "***Common Shares***"). The aggregate number of Common Shares purchased and sold pursuant to this Agreement shall be 2,726,447 Common Shares and shall collectively be referred to herein as the "***Securities***". The Securities shall be allocated among the Investors as is set forth on the signature page hereto.

B. The sale of the Securities by the Company to the Investors will be effected in reliance upon the exemption from securities registration afforded by Section 4(2) under the Securities Act.

In consideration of the mutual promises made herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Investor hereby agree as follows:

1. *PURCHASE AND SALE OF THE SECURITIES.*

1.1 Closing. Upon the terms and subject to the satisfaction or waiver of the conditions set forth herein, the Company agrees to sell and the Investors agree to purchase the Securities for a purchase price equal to an amount per Common Share calculated as the average closing price of the Common Shares on the Nasdaq Global Market over the five (5) Trading Days ending on the last Trading Day prior to the later of (i) the date hereof and (ii) five (5) days prior to the Closing Date (the "***Per Share Price***"). The aggregate purchase price shall be determined by multiplying the Per Share Price by the total number of Common Shares being sold hereunder (the "***Purchase Price***"). The date on which the closing of such purchase and sale occurs (the "***Closing***") is hereinafter referred to as the "***Closing Date***" and will be on or about May 8, 2008. If the Closing occurs on or before May 9, 2008, the Per Share Price will be $6.602, and the Purchase Price will be $18,000,000.00. The Closing will be deemed to occur at the offices of Shearman & Sterling LLP, 599 Lexington Avenue, New York, New York 10022, when (A) this Agreement has been executed and delivered by the Company and each Investor, (B) each of the conditions to the Closing described in Section 5 of this Agreement has been satisfied or waived as specified therein and (C) full payment of the Purchase Price has been made by the Investors to the Company by wire transfer of immediately available funds against physical delivery by the Company of duly executed certificates representing the Securities being purchased by the Investors, registered in the name and address of the Investors as is set forth on the signature page hereto.

1.2 Certain Definitions. When used herein, the following terms shall have the respective meanings indicated:

“***Affiliate***” means, as to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the specified Person. For the purposes of this definition, “***control***” (including the terms “controlling” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“***beneficial ownership***”, “***beneficially own***” and “***beneficial owner***” shall have the meaning set forth in Rule 13d-3 (without regard to the 60-day provision in paragraph (d)(1)(i)) of the Exchange Act.

“***Board of Directors***” means the Company’s board of directors.

“***Business Day***” means any day other than a Saturday, a Sunday or a day on which The NASDAQ Global Market is closed or on which banks in The City of New York are required or authorized by law to be closed.

“***Closing***” has the meaning specified in Section 1.1 of this Agreement.

“***Closing Date***” has the meaning specified in Section 1.1 of this Agreement.

“***Commission***” means the Securities and Exchange Commission.

“***Common Shares***” has the meaning specified in the preamble to this Agreement.

“***Exchange Act***” means the Securities Exchange Act of 1934, as amended (or any successor act), and the rules and regulations thereunder (or respective successors thereto).

“***Filing Deadline***” has the meaning specified in Section 4.2(a) of this Agreement.

“***First Quarter Form 10-Q***” means the Company’s Form 10-Q for the fiscal quarter ended March 31, 2008 provided to the Investors in draft form.

“***GAAP***” means United States generally accepted accounting principles, applied on a consistent basis.

“***Governmental Authority***” means any nation or government, any state, provincial or political subdivision thereof having jurisdiction over the Company and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including without limitation any stock exchange, securities market or self-regulatory organization.

“***Intellectual Property***” has the meaning specified in Section 3.16 of this Agreement.

"Investor Party" has the meaning specified in Section 4.7 of this Agreement.

"***Law***" means any applicable federal, state, local or foreign or provincial law, statute, code, ordinance, rule, regulation, judgment, order, injunction, decree or agency requirement of or undertaking to or agreement with any Governmental Authority, including common law.

"***Material Adverse Effect***" means, with respect to any Person, any fact, circumstance, event, change, effect or occurrence that, individually or in the aggregate with all other facts, circumstances, events, changes, effects or occurrences (i) has or would be reasonably expected to have a material adverse effect on or with respect to the business, results of operation or financial condition of such Person and its Subsidiaries, if any, taken as a whole, or (ii) that prevents or materially delays or materially impairs the ability of such Person to consummate the transactions contemplated by this Agreement.

"***Person***" means any individual, corporation, trust, association, company, partnership, joint venture, limited liability company, joint stock company, Governmental Authority or other entity.

"***Principal Market***" means the NASDAQ Global Market or such other principal exchange or market on which the Common Shares are then listed or traded.

"Prospectus" has the meaning specified in Section 4.2(c) of this Agreement.

"***Purchase Price***" has the meaning specified in Section 1.1 of this Agreement.

"Registration Deadline" has the meaning specified in Section 4.2(b) of this Agreement.

"Registration Default" has the meaning specified in Section 4.4(e) of this Agreement.

"Registration Penalty" has the meaning specified in Section 4.4(e) of this Agreement.

"***Registration Statement***" has the meaning specified in Section 4.2(a) of this Agreement.

"***Registration Statement Termination Date***" has the meaning specified in Section 4.2(c) of this Agreement.

"***Rule 144***" means Rule 144 under the Securities Act or any successor provision.

"***SEC Reports***" means (i) the Company's Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission on March 17, 2008, (ii) each form, document, statement and report filed by the Company since March 17, 2008, and (iii) the First Quarter Form 10-Q.

"***Securities***" has the meaning specified in the preamble to this Agreement.

"***Securities Act***" means the Securities Act of 1933, as amended (or any successor act), and the rules and regulations thereunder (or respective successors thereto).

"***Subsidiary***" means, with respect to any Person, any corporation or other entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (regardless of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries.

"Suspension" has the meaning specified in Section 4.4(b) of this Agreement.

"Suspension Notice" has the meaning specified in Section 4.4(b) of this Agreement.

"Takedown Notice" has the meaning specified in Section 4.4(c) of this Agreement.

"***Trading Day***" means any day on which the Common Shares are purchased and sold on the Principal Market.

"***Trading Market***" means the NASDAQ Global Market or the Toronto Stock Exchange, or any national securities exchange, market or trading or quotation facility on which the Common Shares are then listed or quoted.

1.3 Other Definitional Provisions. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "***hereof***", "***herein***" and "***hereunder***" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement.

2. *REPRESENTATIONS AND WARRANTIES OF EACH INVESTOR.*

Each Investor hereby represents and warrants to the Company and agrees with the Company, that, as of the date hereof:

2.1 Enforceability. Such Investor has the requisite power and authority to purchase the Securities to be purchased by it hereunder and to execute, deliver and perform its obligations pursuant to this Agreement. This Agreement constitutes, upon execution and delivery thereof, such Investor's valid and legally binding obligation, enforceable in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally and (ii) general principles of equity.

2.2 Investor Status. At the time such Investor was offered the Securities, such Investor was and at the date hereof, is (i) an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act, (ii) not formed or organized with the specific purpose of making an investment in the Company and (iii) not a resident of or located in Canada. Such Investor's financial condition is such that it is able to bear the risk of holding the Securities for an indefinite period of time and the risk of loss of its entire investment. Such Investor has such knowledge and experience in business and financial matters so as to enable it to understand the risks of and form an investment decision with respect to its investment in the Securities.

2.3 Purchase Entirely for Own Account. Such Investor is acquiring the Securities for its own account and not with a view to, or for sale in connection with, any distribution of the Securities in violation of the Securities Act. Such Investor has no present agreement, undertaking, arrangement, obligation or commitment providing for the disposition of the Securities.

2.4 Information. Such Investor acknowledges that it has been provided with information regarding the business, operations and financial condition of the Company and has, prior to the date hereof, been granted the opportunity to ask questions of and receive answers from representatives of the Company, its officers, directors, employees and agents concerning the Company in order for such Investor to make an informed decision with respect to its investment in the Securities. Such Investor has sought such accounting, legal and tax advice as it deems appropriate in connection with its proposed investment in the Securities.

2.5 Securities Not Registered in the United States. Such Investor understands that the Securities have not been registered under the Securities Act, by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act, and that the Securities must continue to be held by such Investor until a subsequent disposition thereof is registered under the Securities Act, including pursuant to the Registration Statement, or is exempt from such registration.

2.6 Securities Not Qualified in Canada. Such Investor also understands that the Securities will not be qualified for sale under the securities laws of any province or territory of Canada.

2.7 Reliance on Exemptions. Such Investor understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of U.S. federal and state securities laws and that the Company is relying upon the truth and accuracy of the representations and warranties of such Investor set forth in this Section 2 in order to determine the availability of such exemptions and the eligibility of such Investor to acquire the Securities.

2.8 Common Stock Ownership. Such Investor's investment in the Securities is not for the purpose of acquiring, directly or indirectly, control of, and they have no intent to acquire or exercise control of, the Company or to influence the decisions or policies of the Board of Directors.

2.9 Investors' Financing. At the Closing, such Investor will have all funds necessary to pay to the Company the Purchase Price for the Securities being purchased by such Investor hereby in immediately available funds.

2.10 Brokers. Such Investor has not retained, utilized or been represented by any broker or finder in connection with the transactions contemplated by this Agreement whose fees the Company would be required to pay.

2.11 No Governmental Review. Such Investor understands that no Governmental Authority has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

2.12 No General Solicitation. Such Investor is not purchasing the Securities as a result of any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available, or any seminar, meeting or other conference whose attendees were invited by any general solicitation or general advertising.

2.13 Trading in Common Shares. Since the date such Investor initially was contacted by the Company through the date of this Agreement, such Investor has not entered into any purchase or sale of Common Shares or executed any Short Sales. For purposes of this Section, "***Short Sales***" means all types of direct and indirect stock pledges, forward sale contracts, options, puts, calls, short sales, swaps (including on a total return basis) and sales. Such Investor covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with it, will engage in any transactions in the Common Shares (including Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed.

2.14 Reliance on Information. Such Investor has, in connection with such Investor's decision to purchase the Securities, not relied upon any representations or other information (whether oral or written) other than as set forth in the representations and warranties of the Company contained herein and in the SEC Reports, and such Investor has, with respect to all matters relating to this Agreement and the offer and sale of the Securities, relied solely upon the advice of such Investor's own counsel and has not relied upon or consulted counsel of the Company.

3. *REPRESENTATIONS AND WARRANTIES OF THE COMPANY*. The Company hereby represents and warrants to each Investor and agrees with each Investor that, as of the date hereof:

3.1 Organization, Good Standing and Qualification. The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to carry on its business as now conducted. Except as would not, individually or in the aggregate, result in a Material Adverse Effect, each of the Subsidiaries of the Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to carry on its business as now conducted. The Company and each of its Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction in which it conducts business except where the failure so to qualify has not had or would not have a Material Adverse Effect. Neither the Company nor

any of its Subsidiaries is in violation of its certificate of incorporation, by-laws or other equivalent organizational or governing documents, except where the violation in the case of a Subsidiary of the Company would not, individually or in the aggregate, have a Material Adverse Effect.

3.2 Authorization; Consents. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and to issue and sell the Securities to the Investors in accordance with the terms hereof. All consents, approvals, orders and authorizations required on the part of the Company or its Subsidiaries in connection with the execution, delivery or performance of this Agreement have been obtained or made, other than such consents, approvals, orders and authorizations the failure of which to make or obtain would not have a Material Adverse Effect.

3.3 Enforcement. This Agreement has been duly executed and delivered by the Company. This Agreement constitutes the valid and legally binding obligation of the Company, enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, fraudulent transfer, moratorium, reorganization or other similar laws of general application relating to or affecting the enforcement of creditors' rights generally, (ii) general principles of equity and (iii) with respect to the enforcement of any rights to indemnity and contribution, federal and state securities laws and principles of public policy.

3.4 SEC Reports. The Company has filed on a timely basis with the SEC all SEC Reports. The SEC Reports constitute all of the documents required to be filed by the Company with the Commission under Section 13 or 14 of the Exchange Act since December 31, 2007. Each SEC Report other than the First Quarter Form 10-Q, as of the date of the filing thereof with the Commission (or if amended or superseded by a filing prior to the date hereof, then on the date of such amending or superseding filing) or as of the date hereof in the case of the First Quarter Form 10-Q, complied in all material respects with the requirements of the Securities Act or Exchange Act, as applicable, and the rules and regulations promulgated thereunder. The SEC Reports, at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement, then on the date of such amending or superseding filing) and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective dates (or if amended or superseded by a filing prior to the date hereof, then on the date of such amending or superseding filing), the financial statements of the Company included in the SEC Reports (including, in each case, any related notes), including any SEC Reports filed after the date of this Agreement until the Closing, complied or will comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been or will be prepared in accordance with GAAP consistently applied at the times and during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements as permitted by Form 10-Q of the Commission) and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end adjustments).

3.5 Absence of Certain Changes. Except as otherwise disclosed in the SEC Reports, since December 31, 2007, the Company and its subsidiaries have conducted their business in the ordinary course and, since such date, the Company has not suffered any change or effect that has resulted, or would result, in a Material Adverse Effect.

3.6 Capitalization. The capitalization of the Company, including its authorized capital stock, the number of shares issued and outstanding, the number of shares issuable and reserved for issuance pursuant to the Company's stock option plans and agreements and the number of shares issuable and reserved for issuance pursuant to securities exercisable for, or convertible into or exchangeable for any Common Shares, is as set forth in the SEC Reports. All outstanding shares of the Company have been duly authorized, validly issued, fully paid and are nonassessable and free of any liens or encumbrances created by the Company and are not subject to preemptive rights. Other than as contemplated by this Agreement and as described in the SEC Reports, there are no options, warrants, calls, rights, commitments, preemptive rights, rights of first refusal or other agreements to which the Company is a party or by which it is bound obligating the Company to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any shares of the capital stock of the Company or obligating the Company to grant, extend or enter into any such option, warrant, call, right, commitment or agreement. No preemptive right, co-sale right, right of first refusal or other similar right exists with respect to the Securities or the issuance and sale thereof. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. Except as set forth in the SEC Reports, no holder of any of the securities of the Company or any of its Subsidiaries has any rights ("demand", "piggyback" or otherwise) to have such securities registered by reason of the intention to file, filing or effectiveness of the Registration Statement.

3.7 Due Authorization; Valid Issuance. The Securities are duly authorized and, when issued in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and nonassessable, free of pre-emptive or similar rights and free and clear of all liens, encumbrances and other restrictions (other than those arising under federal, provincial or state securities laws as a result of the private placement contemplated hereby).

3.8 No Conflict. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) conflict with, or result in any violation of any provisions of the Company's charter, bylaws or any other organizational or charter document, (ii) conflict with, result in any violation or breach of, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, lease, credit facility, debt, note, bond, mortgage, indenture or other instrument or obligation (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound, or affected, except to the extent that such conflict, default, termination, amendment, acceleration or cancellation right would not have a Material Adverse Effect, or (iii) result in a violation of any Law to which the Company or a Subsidiary is subject, or by which any property or asset of the Company or a Subsidiary is bound or affected, except to the extent that such violation would not have a Material Adverse Effect.

3.9 General Solicitation; No Integration. Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf, has engaged in a general solicitation or general advertising (within the meaning of Regulation D) of investors with respect to offers or sales of the Securities. Assuming the accuracy of the Investors' representations and warranties set forth in Section 2 of this Agreement, the Company has not, directly or indirectly, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which, to its knowledge, is or will be integrated with the Securities sold pursuant to this Agreement.

3.10 Listing and Maintenance Requirements. The Company has no action pending to delist the Common Shares from any Trading Market on which the Common Shares are or have been listed or quoted, nor has the Company received any notification that any such Trading Market is currently contemplating terminating such listing, and the Company has complied with all notification and filing requirements as may be required pursuant to the rule and regulations of the Principal Market with respect the sale of Securities contemplated hereby.

3.11 Compliance with Laws. The Company has complied with, is not in violation of, and has not received any notices of violation with respect to, any federal, state or local statute, law or regulation with respect to the conduct of its business, or the ownership or operation of its business, except for failures to comply or violations which would not have a Material Adverse Effect.

3.12 Disclosure. No statements by the Company contained in this Agreement, its exhibits and schedules, or any of the certificates or documents, required to be delivered by the Company to the Investors under this Agreement contain any untrue statement of material fact or omits (when read together with all such other statements) to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

3.13 Stockholder Consent. No consent or approval of the stockholders of the Company is required or necessary for the Company to enter into this Agreement or to consummate the transactions contemplated hereby and thereby.

3.14 Litigation. Except as otherwise disclosed in the SEC Reports, (i) there is no private or governmental action, suit, proceeding, claim, arbitration or investigation pending before any agency, court or tribunal, foreign or domestic, or, to the knowledge of the Company or any of its Subsidiaries, threatened against the Company or any of its properties or any of its officers or directors (in their capacities as such), which would have a Material Adverse Effect, and (ii) there is no judgment, decree or order against the Company, or, to the knowledge of the Company, any of its respective directors or officers (in their capacities as such) relating to the business of the Company, the presence of which would have a Material Adverse Effect. To the Company's knowledge, no circumstances exist that could form a valid basis for a claim against the Company as a result of the conduct of the Company's business (including, without limitation, any claim of infringement of any intellectual property right) that would have a Material Adverse Effect.

3.15 Governmental Permits. Each of the Company and its Subsidiaries has all necessary franchises, licenses, certificates and other authorizations from any foreign, federal, state or local government or governmental agency, department, or body that are currently necessary for the operation of the business of the Company and its Subsidiaries as currently conducted, except where the failure to currently possess would not have a Material Adverse Effect.

3.16 Intellectual Property. Each of the Company and its Subsidiaries owns or possesses sufficient rights to use all patents, patent rights, trademarks, copyrights, licenses, inventions, trade secrets, trade names and know-how (collectively, "Intellectual Property") that are necessary for the conduct of its business as now conducted except where the failure to currently own or possess would not have a Material Adverse Effect. Except as set forth in the SEC Reports, (i) neither the Company nor any of its Subsidiaries has received any notice of, or has any knowledge of, any infringement of asserted rights of a third party with respect to any Intellectual Property that, individually or in the aggregate, would have a Material Adverse Effect and (ii) neither the Company nor any of its Subsidiaries has received any notice of any infringement rights by a third party with respect to any Intellectual Property that, individually or in the aggregate, would have a Material Adverse Effect.

4. *OTHER AGREEMENTS OF THE PARTIES.*

4.1 Transfer Restrictions.

(a) Each Investor covenants that the Securities will only be disposed of pursuant to an effective registration statement under, and in compliance with the requirements of, the Securities Act (including pursuant to the Registration Statement) or pursuant to an available exemption from the registration requirements of the Securities Act, and in compliance with any applicable state securities laws. As the Securities will not be qualified for sale under the securities laws of any province or territory of Canada, each Investor agrees that it will not offer, sell or distribute any of the Securities, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof before the date that is four months and one day after the Closing Date, and after such time, only in accordance with Canadian securities law. In connection with any transfer of Securities other than pursuant to an effective registration statement (including the Registration Statement) or to the Company, the Company may require the transferor to provide to the Company an opinion of counsel selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration under the Securities Act. Notwithstanding the foregoing, the Company hereby consents to and agrees to register on the books of the Company and with its transfer agent, without any such legal opinion, except to the extent that the transfer agent requests such legal opinion, any transfer of Securities in the following circumstances:

(x) as contemplated in the Registration Statement;

(y) by an Investor to an Affiliate of such Investor, provided that the transferee certifies to the Company that (i) it is an Affiliate of the Investor and (ii) it is an "accredited investor" as defined in Rule 501(a) under the Securities Act,

and further provided that such Affiliate does not request any removal of any existing legends on any certificate evidencing the Securities; and

(z) in connection with a *bona fide* pledge or hypothecation of any Securities under a margin arrangement with a broker-dealer or other financial institution or the sale of any such Securities by such broker-dealer or other financial institution following such Investor's default under such margin arrangement.

(b) Each Investor agrees to the imprinting, so long as is required by this Section 4.1(b), of a legend on any certificate evidencing Securities substantially to the following effect:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, OR (E) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE CORPORATION, IN EACH CASE IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS OR BLUE SKY LAWS.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN QUALIFIED FOR SALE UNDER THE SECURITIES LAWS OF ANY PROVINCE OR TERRITORY OF CANADA. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN CANADA OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT THEREOF BEFORE SEPTEMBER 9, 2008 AND AFTER SUCH TIME, ONLY IN ACCORDANCE WITH CANADIAN SECURITIES LAW.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."

4.2 Registration Rights — Obligations of the Company. The Company shall:

(a) subject to receipt of necessary information from the Investors, prepare and file with the Commission, on or before the date which is 210 days from the date hereof (the "***Filing Deadline***"), a registration statement (the "***Registration Statement***") to enable the resale of the Securities by the Investors from time to time on the Principal Market or in privately-negotiated transactions;

(b) use commercially reasonable efforts, subject to receipt of necessary information from the Investors, to cause the Registration Statement to become effective within 90 days after the Registration Statement is filed by the Company (the "***Registration Deadline***");

(c) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith (the "***Prospectus***") and take all other such actions (subject to Section 4.2.(d) and Section 4.2(e)) as may be necessary to keep the Registration Statement current and effective for a period not exceeding the earlier of (i) the date on which the Investors may sell all Securities then held by the Investors without restriction by the volume limitations of Rule 144(e) of the Securities Act, as determined by the Investors in their entire discretion or (ii) such time as all Securities purchased by the Investors pursuant hereto have been sold pursuant to a Registration Statement (the "***Registration Statement Termination Date***");

(d) promptly furnish to the Investors with respect to the Securities registered under the Registration Statement such number of copies of the Registration Statement, Prospectuses and preliminary Prospectuses in conformity with the requirements of the Securities Act and such other documents as the Investors may reasonably request, in order to facilitate the public sale or other disposition of all or any of the Securities by the Investors; *provided*, *however*, that the obligation of the Company to deliver copies of Prospectuses or preliminary Prospectuses to an Investor shall be subject to the receipt by the Company of reasonable assurances from such Investor that such Investor will comply with the applicable provisions of the Securities Act and of such other securities or blue sky laws as may be applicable in connection with any use of such Prospectuses or preliminary Prospectuses;

(e) file documents required of the Company for normal blue sky clearance in states specified in writing by the Investors; *provided*, *however*, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented;

(f) bear all expenses in connection with the procedures in paragraph (a) through (e) of this Section 4.2 and the registration of the Securities pursuant to the Registration Statement (which shall include, for the avoidance of doubt, reasonable expenses of one counsel chosen by the Investors for the review of the Registration Statement), regardless of whether a Registration Statement becomes effective; *provided*, *however*, that reimbursement for expenses of one counsel chosen by the Investors for the review of the Registration Statement shall be limited to a maximum of US$50,000, in the aggregate, of such reasonable, actual fees and expenses; and

(g) advise the Investors, promptly (i) after it shall receive notice or obtain knowledge of the issuance of any stop order by the Commission delaying or suspending the effectiveness of the Registration Statement or of the initiation or threat of any proceeding for that purpose; and it will promptly use its reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal at the earliest possible moment if such stop order should be issued, (ii) when the Prospectus or any Prospectus Supplement or post-effective amendment has been filed, and, with respect to the Registration Statement or any post-effective amendment thereto, when the same has become effective; and (iii) subject to Section 4.2(d), after the Company shall receive notice or obtain knowledge of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading.

4.3 Registration Rights — Obligations of the Investors. Each Investor agrees that it will:

(a) promptly notify the Company of any changes in the information set forth in the Registration Statement regarding such Investor or their plan of distribution;

(b) after the Registration Statement has become effective, sell all of the Securities before any other Common Shares beneficially owned by such Investor or by any Affiliate of such Investor are sold;

(c) promptly notify the Company when all of the Securities have been sold; and

(d) promptly notify the Company at such time as the Investors may sell all Securities then held by the Investors without restriction by the volume limitations of Rule 144(e) of the Securities Act and the date of such determination.

4.4 Maintenance of Registration Statement.

(a) Except in the event that either or both of paragraphs (d) or (e) below applies, the Company shall promptly (i) prepare and file from time to time with the Commission a post-effective amendment to the Registration Statement or a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file any other required document so that such Registration Statement will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and so that, as thereafter delivered to purchasers of the Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) provide the Investors copies of any documents filed pursuant to Section 4.4(a)(i); and (iii) inform each Investor that the Company has complied with its obligations in

Section 4.4(a)(i) (or that, if the Company has filed a post-effective amendment to the Registration Statement which has not yet been declared effective, the Company will notify the Investors to that effect, will use its reasonable efforts to secure the effectiveness of such post-effective amendment as promptly as possible and will promptly notify the Investors when the amendment has become effective).

(b) Subject to paragraph (c) below, in the event of (i) any request by the Commission or any other federal or state governmental authority during the period of effectiveness of the Registration Statement for amendments or supplements to the Registration Statement or related Prospectus or for additional information; (ii) the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; or (iv) any event or circumstance which necessitates the making of any changes in the Registration Statement or Prospectus, or any document incorporated or deemed to be incorporated therein by reference, so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; then the Company shall cause to be received by the Investors a certificate in writing to the Investors (the "***Suspension Notice***") to the effect of the foregoing and, upon receipt of such Suspension Notice, each Investor will refrain from selling any Securities not already sold pursuant to the Registration Statement (a "***Suspension***") until such Investor's receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until it is advised in writing by the Company that the current Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such Prospectus. Subject to paragraph (c) below, in the event of any Suspension, the Company will use commercially reasonable efforts to cause the use of the Prospectus so suspended to be resumed as soon as reasonably practicable after the delivery of a Suspension Notice to the Investors. In addition to and without limiting any other remedies (including, without limitation, at law or at equity) available to the Investors, the Investors shall be entitled to specific performance in the event that the Company fails to comply with the provisions of this Section 4.4(b).

(c) Notwithstanding anything in this Agreement to the contrary, if the Company shall furnish to the Investors a certificate (a "***Takedown Notice***") signed by the President or Chief Executive Officer of the Company, stating that its Board of Directors has made the good faith determination (i) that continued use by the Investors of the Registration Statement for purposes of effecting offers or sales of the Securities pursuant thereto would require, under the Securities Act, premature disclosure in the Registration Statement (or the prospectus relating thereto) of material, nonpublic information concerning the Company, its business or prospects or any of its proposed material transactions, and (ii) that such premature disclosure would be materially detrimental to the Company, then (x) the Company may postpone

the filing or effectiveness of such Registration Statement, or (y) suspend the right of the Investors to use the Registration Statement (and the prospectus relating thereto) for purposes of effecting offers or sales of the Securities pursuant thereto. Upon receipt of a Takedown Notice, each Investor will refrain from selling any Securities not already sold pursuant to the Registration Statement (a "***Takedown***") until such Investor's receipt of copies of a supplemented or amended Prospectus prepared and filed by the Company, or until it is advised in writing by the Company that the current Prospectus may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in any such Prospectus. Notwithstanding the foregoing, the Company shall not under any circumstances be entitled to exercise its right to postpone the filing or effectiveness of, or suspend the use of, the Registration Statement more than two (2) times in any twelve (12) month period, and the aggregate number of days during which the filing or effectiveness of, or the suspension of the use of, the Registration Statement may be postponed or suspended shall not exceed ninety (90) days in any such (12) month period. Each Investor hereby covenants and agrees that it will not sell any Securities pursuant to the Registration Statement during a period in which the ability to sell thereunder is suspended as set forth in this Section 4.4(c) and will maintain in confidence the fact and content of any notice provided under this Section 4.4(c).

The effectiveness of the Registration Statement may not be postponed and the rights of each Investor to sell Securities under the Registration Statement may not be suspended under this Section 4.4(c) unless the Company has similarly suspended distribution rights under any other effective registration statement of which it is the registrant (except for registration statements on Form S-8) and has similarly suspended the rights of its officers and directors to trade in its securities for at least the same period.

(d) Provided that a Suspension or a Takedown is not then in effect, each Investor may sell Securities under the Registration Statement, provided that it arranges for delivery of a current Prospectus to the transferee of such Securities. Upon receipt of a request therefor, the Company has agreed to provide an adequate number of current Prospectuses to the Investors and to supply copies to any other parties requiring such Prospectuses.

(e) If (i) the Registration Statement is not filed on or before the Filing Deadline or declared effective by the Commission on or before the Registration Deadline, (ii) after the Registration Statement has been declared effective by the Commission, other than during a Takedown, sales of Securities cannot be made by the Investors under the Registration Statement for any reason not within the exclusive control of the Investors or (iii) other than during a Takedown, an amendment or supplement to the Registration Statement, or a new registration statement, required to be filed pursuant to the terms of this Agreement is not filed as required hereunder (each of the events described in the foregoing clauses (i), (ii) and (iii) being referred to herein as a "***Registration Default***"), the Company shall make cash payments to the Investors (the "***Registration Penalty***"), as liquidated damages and not as a penalty, equal to three-quarters of one percent (0.75%) of the Per Share Price for each of the Securities subject to the Registration Statement for the first 90-day period or portion thereof following the Registration Default, and thereafter the Registration Penalty shall increase by an incremental three-quarters of one percent (0.75%) of the Per Share Price for each of the Securities subject to the Registration Statement for each successive 90-day period or portion thereof during which the Registration Default exists and is continuing, *provided* that in no event shall the Registration Penalty exceed three percent (3.00%) of the Purchase Price, *provided further* that

no Registration Penalty shall accrue after the Registration Statement Termination Date, and *provided further* that no Registration Penalty shall accrue during any Takedown. Upon the cure of all Registration Defaults, the accrual of the Registration Penalty will automatically cease. The Registration Penalty shall be computed based on the actual number of days elapsed in each 90-day period in which a Registration Default exists, and each payment required to be made under this Section 4.4(e) shall be made within five (5) Business Days following the last day of each 90-day period in which a Registration Default exists. Any such payment shall be the sole monetary remedy available to the Investors pursuant to the terms hereof or otherwise.

4.5 Use of Investor Name. Except as may be required by applicable law and/or this Agreement, the Company shall not use, directly or indirectly, the name of any Investor or the name of any Affiliate of any Investor in any advertisement, announcement, press release or other similar communication unless it has received the prior written consent of such Investor for the specific use contemplated or as otherwise required by applicable law or regulation.

4.6 Listing. The Company hereby agrees to use reasonable best efforts to maintain the listing and trading of its Common Shares on the NASDAQ Global Market and the Toronto Stock Exchange (or another nationally recognized Trading Market). The Company further agrees, if the Company applies to have the Common Shares traded on any other Trading Market, it will include in such application the Securities, and will take such other action as is necessary or desirable to cause all of the Securities to be listed on such other Trading Market as promptly as possible.

4.7 Indemnification of Investors. (a) The Company will indemnify and hold each Investor and, if applicable, their trustees, beneficiaries and agents (each, an "***Investor Party***") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Investor Party may suffer or incur as a result of or relating to any action instituted against an Investor or its Affiliates with respect to or based upon (i) in the case of the Registration Statement, any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and, in the case of any Prospectus, any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) any breach of the Company's representations, warranties or covenants under this Agreement (unless such breach is based upon a breach of such Investor's representations, warranties or covenants under this Agreement or any violations by such Investor of state or federal securities laws or any conduct by such Investor which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Investor Party in respect of which indemnity may be sought pursuant to this Agreement, such Investor Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing. Any Investor Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Investor Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time following such Investor Party's written request that it do so, to assume such defense and to employ counsel or

(iii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Investor Party. The failure of an Investor Party to deliver written notice to the Company within a reasonable time of the delivery of notice of any such action, to the extent materially prejudicial to its ability to defend such action, shall relieve the Company of any liability to such Investor Party under this Section 4.7 with respect to such action, but the omission so to deliver written notice to the Company will not relieve the Company of any liability that it may have to such Investor Party otherwise than under this Section 4.7 or with respect to any other action. The Company will not be liable to any Investor Party under this Agreement (i) for any settlement by an Investor Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (ii) to the extent, but only to the extent, that a loss, claim, damage or liability is attributable to such Investor Party's fraud, gross negligence, willful misconduct or malfeasance or to such Investor Party's breach of any of the representations, warranties, covenants or agreements made by such Investor in this Agreement.

(b) In the event that the indemnity provided in this Section 4.7 is unavailable or insufficient to hold harmless an Investor Party (other than by reason of exceptions provided herein), the Company agrees to contribute to the aggregate Losses to which such Investor Party may be subject in such proportion as is appropriate to reflect the relative fault of the Company and such Investor Party in connection with the actions which resulted in such Losses as well as any other relevant equitable considerations. The Company and the Investors agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 4.7, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation.

4.8 Standstill.

(a) Each Investor covenants and agrees that, except as set forth herein, neither such Investor nor any of its Affiliates shall directly or indirectly, in one transaction or a series of related transactions:

(i) acquire, offer to acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, (x) any securities or direct or indirect rights to acquire any securities of the Company or any Subsidiary of the Company, or of any successor of the Company or any such Subsidiary, or (y) any assets of the Company or any division thereof or of any successor of the Company or any Subsidiary of the Company; *provided, however*, that the Investors shall be permitted to acquire, directly or indirectly, by purchase or otherwise, such number of securities or direct or indirect rights to acquire any securities of the Company as shall permit the Investors and their Affiliates to maintain their ownership percentage at 19.9% of the total issued and outstanding Common Shares;

(ii) seek or propose to influence or control the management or policies of the Company, make or in any way participate in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the rules of the Commission) to vote any voting securities of the

Company or any Subsidiary, or seek to advise or influence any person or entity with respect to the voting of any voting securities of the Company or any Subsidiary;

(iii) make any public announcement with respect to, or submit a proposal for or offer of (with or without conditions), any merger, amalgamation, recapitalization, reorganization, business combination or other extraordinary transaction involving the Company or any Subsidiary or any of their securities or assets;

(iv) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing, or otherwise form, join or in any way engage in discussions relating to the formation of, or participate in, a "group" within the meaning of Section 13(d)(3) of the Exchange Act, or relating in any way to, the Company or any of its securities;

(v) sell or otherwise transfer Common Shares to any Person or any Persons constituting a "group" within the meaning of Section 13(d)(3) of the Exchange Act, which after such sale or transfer would be the beneficial or record owner of 5% or more of the then outstanding Common Shares, unless each such Person agrees to be subject to the restrictions of this Section 4.8; *provided*, *however*, that the foregoing shall not apply to any sale or transfer of Common Shares in a *bona fide* public offering or ordinary broker transactions; or

(vi) request the Company, directly or indirectly, to amend or waive any provision of this Section 4.8 in a manner that would require any public disclosure by the Company, such Investor or any other Person.

(b) Each Investor's obligations under this Section 4.8, except for the obligations under Section 4.8(a)(v), shall terminate immediately upon the fifth anniversary of this Agreement and each Investor's obligations under Section 4.8(a)(v) shall terminate upon the earlier of (i) the fifth anniversary of this Agreement and (ii) the date when the Investors and their Affiliates beneficially own less than 14.56% of the outstanding Common Shares.

5. *CONDITIONS TO CLOSING.*

5.1 Conditions to Investors' Obligations at the Closing. Each Investor's obligations to effect the Closing, including without limitation its obligation to purchase the Securities at Closing, are conditioned upon the fulfillment (or waiver by such Investor in its sole and absolute discretion) of each of the following events as of the Closing Date:

5.1.1 the representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on such date (except that to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct in all material respects as of that particular date); *provided*, *however*, that such representations and warranties that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects as so qualified;

5.1.2 the Company shall have complied with or performed in all material respects all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Company on or before the Closing;

5.1.3 the Company shall have delivered to such Investor a certificate, signed by a Co-Chief Executive Officer of the Company or the Chief Financial Officer of the Company and dated as of the Closing Date, certifying (i) that the conditions specified in Sections 5.1.1 and 5.1.2 above have been fulfilled, it being understood that such Investor may rely on such certificate as though it were a representation and warranty of the Company made herein, (ii) all resolutions of the Board of Directors (and committees thereof) relating to the Agreement and the transactions contemplated thereby and (iii) the incumbency of all officers of the Company executing the Agreements and any other agreement or document contemplated thereby;

5.1.4 the Company shall have delivered to such Investor opinions from McCarthy Tétrault LLP and/or Shearman & Sterling LLP, dated as of the Closing Date, covering the matters set forth in ***Exhibit A***;

5.1.5 the Company shall have delivered to such Investor a duly executed certificate representing the Securities being purchased by such Investor at the Closing;

5.1.6 trading in the Common Shares shall not have been suspended by the Commission or any Trading Market (except for any suspensions of trading of not more than one Trading Day solely to permit dissemination of material information regarding the Company) at any time since the date of execution of this Agreement, and the Common Shares shall have been at all times since such date listed for trading on a Trading Market; and

5.1.7 there shall be no injunction, restraining order or decree of any nature of any court or Government Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby.

5.2 Conditions to Company's Obligations at the Closing. The Company's obligations to effect the Closing with each Investor are conditioned upon the fulfillment (or waiver by the Company in its sole and absolute discretion) of each of the following events as of the Closing Date:

5.2.1 the representations and warranties of such Investor set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on such date (except that to the extent that any such representation or warranty relates to a particular date, such representation or warranty shall be true and correct in all material respects as of that date); *provided*, *however*, that such representations and warranties that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects as so qualified;

5.2.2 such Investor shall have complied with or performed all of the agreements, obligations and conditions set forth in this Agreement that are required to be complied with or performed by the Investor on or before the Closing;

5.2.3 there shall be no injunction, restraining order or decree of any nature of any court or Government Authority of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions contemplated hereby; and

5.2.4 the Investors shall have tendered to the Company the Purchase Price for the Securities being purchased by it at the Closing by wire transfer of immediately available funds in accordance with the wire transfer instructions set forth on ***Exhibit B*** hereto.

6. *MISCELLANEOUS.*

6.1 Termination. This Agreement may be terminated by the Company or the Investors, by written notice to the other party, if the Closing has not been consummated by May 16, 2008; provided that no such termination will affect the right of any party to sue for any breach by the other party (or parties).

6.2 Survival; Severability. The covenants and indemnities, agreements, representations and warranties made by the parties herein shall survive the Closing, provided, however, that the representations and warranties set forth or made by each Investor herein will terminate upon the final sale by such Investor of such Investor's Securities. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; *provided* that in such case the parties shall negotiate in good faith to replace such provision with a new provision which is not illegal, unenforceable or void, as long as such new provision does not materially change the economic benefits of this Agreement to the parties.

6.3 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Each Investor may assign their respective rights and obligations hereunder, in

connection with any private sale or transfer of the Securities in accordance with the terms hereof, as long as, as a condition precedent to such transfer, the transferee executes an acknowledgment agreeing to be bound by the applicable provisions of this Agreement, in which case the term "Investor" shall be deemed to refer to such transferee as though such transferee were an original signatory hereto. The Company may not assign its rights or obligations under this Agreement without the written consent of the Investors.

6.4 No Reliance. Each party acknowledges that (i) it has such knowledge in business and financial matters as to be fully capable of evaluating this Agreement and the transactions contemplated hereby, (ii) it is not relying on any advice or representation of any other party in connection with entering into this Agreement or such transactions (other than the representations made in this Agreement), (iii) it has not received from any other party any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial or otherwise) of entering into this Agreement or the performance of its obligations hereunder, and (iv) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent that it has deemed necessary, and has entered into this Agreement based on its own independent judgment and on the advice of its advisors as it has deemed necessary, and not on any view (whether written or oral) expressed by any other party.

6.5 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Company and each Investor will be entitled to seek specific performance under this Securities Purchase Agreement. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation (other than in connection with any action for temporary restraining order) the defense that a remedy at law would be adequate.

6.6 Governing Law; Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the Borough of Manhattan of the City of New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereby waives all rights to a trial by jury.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission.

6.8 Headings. The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.9 Notices. Any notice, demand or request required or permitted to be given by the Company or any Investor pursuant to the terms of this Agreement shall be in writing and shall be deemed delivered (i) when delivered personally or by verifiable facsimile transmission, unless such delivery is made on a day that is not a Business Day, in which case such delivery will be deemed to be made on the next succeeding Business Day, (ii) on the next Business Day after timely delivery to an overnight courier and (iii) on the Business Day actually received if deposited in the U.S. mail (certified or registered mail, return receipt requested, postage prepaid), addressed as follows:

If to the Company:

IMAX Corporation
110 East 59th Street
Suite 2100
New York, New York 10022
Attn: Robert D. Lister, Esq.
Tel: (212) 821-0100
Fax: (212) 371-7584

with a copy (which shall not constitute notice) to:

Jason R. Lehner, Esq.
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022
Tel: (212) 848-4000
Fax: (212) 848-7179

If to the Investors:

Kevin Douglas
125 E Sir Francis Drake Boulevard
Larkspur, California 94939-1860
Tel: (415) 526-2200
Fax: (415) 526-2214

with a copy (which shall not constitute notice) to:

James Black, Esq.
Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, California 94105
Tel: (415) 773-5700
Fax: (415) 773-5759

6.10 Fees and Expenses. The Company shall pay all expenses incurred incident to the negotiation, preparation, execution, delivery and performance of this Agreement, including reasonable fees and expenses of the Investors' legal advisers incurred on or prior to the Closing Date. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the sale and issuance of their applicable Securities.

6.11 Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties with regard to the subject matter hereof, superseding all prior agreements or understandings, whether written or oral, between or among the parties. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended except pursuant to a written instrument executed by the Company and the Investors, and no provision hereof may be waived other than by a written instrument signed by the party against whom enforcement of any such waiver is sought. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have duly executed this Securities Purchase Agreement as of the date first above written.

IMAX CORPORATION

By: */s/ Richard L. Gelfond*
Name: Richard L. Gelfond
Title: Co-Chief Executive Officer

K&M DOUGLAS TRUST

By: */s/ Kevin Douglas*
Name: Kevin Douglas
Title: Trustee

By: */s/ Michelle M. Douglas*
Name: Michelle Douglas
Title: Trustee

Number of Securities: 1,172,372

JAMES DOUGLAS AND JEAN DOUGLAS IRREVOCABLE DESCENDANTS' TRUST

By: */s/ Kevin Douglas*
Name: Kevin Douglas
Title: Trustee

By: */s/ Michelle M. Douglas*
Name: Michelle Douglas
Title: Trustee

Number of Securities: 736,141

DOUGLAS FAMILY TRUST

By: */s/ James Douglas*
Name: James Douglas
Title: Trustee

By: */s/ Jean A. Douglas*
Name: Jean Douglas
Title: Trustee

Number of Securities: 545,289

JAMES E. DOUGLAS III

By: */s/ James E. Douglas*

Number of Securities: 272,645

In connection with the Securities Purchase Agreement, please provide the following information:

1. The exact name that your Securities are to be registered in (this is the name that will appear on your share certificate(s)). You may use a nominee name if appropriate:

   Douglas Family Trust (545,289)
   James Douglas and Jean Douglas Irrevocable Descendants' Trust (736,141)
   James E. Douglas III (272,645)
   K&M Douglas Trust (1,172,372)

2. The mailing address at which the Registered Holder listed in response to item 1 above would like to receive share certificate(s) and closing documents:

   c/o Douglas Telecommunications, Inc
   125 E. Sir Francis Drake Blvd., Ste. 400
   Larkspur, CA 94939

1. The Social Security Number or Tax Identification Number of the Registered Holder listed in response to item 1 above:

   Douglas Family Trust — ###-##-####
   James Douglas and Jean Douglas Irrevocable Descendants' Trust — 94-6729163
   James E. Douglas, III — ###-##-####
   K&M Douglas Trust — ###-##-####

EXHIBIT A

FORM OF LEGAL OPINIONS

McCARTHY TÉTRAULT LLP

(1) The Company is a corporation duly organized, validly existing and in good standing under the federal laws of Canada.

(2) The Securities have been duly authorized by all necessary corporate action on the part of the Company. The Securities, when issued, sold and delivered against payment therefor in accordance with the provisions of the Securities Purchase Agreement will be validly issued, fully paid and nonassessable, and the issuance of the Securities will not be subject to any pre-emptive rights or similar rights restricting the transfer of the Securities under the *Canada Business Corporations Act* or the Company's Articles of Incorporation or By-Laws or, to our knowledge, otherwise.

(3) The Company has full corporate power and corporate authority to enter into, perform, and consummate the transactions contemplated by the Agreement.

(4) The Agreement has been duly authorized by all necessary corporate action on the part of Company.

(5) The execution, delivery, and performance of the Agreement by Company and the consummation by Company of the transactions to be consummated at Closing do not conflict with or violate the Company's charter, bylaws or any other organizational or charter document.

(6) The execution, delivery and performance of the Agreement by Company and the consummation of the transactions contemplated thereby by Company to be consummated at the Closing do not and will not require Company to obtain any consent, approval, authorization, license, waiver, qualification, order or permit of, or require the Company to make any filing with or notification to, any Canadian federal or Ontario governmental or regulatory authority, domestic or foreign, except (a) for compliance with applicable requirements, if any, of Canadian securities laws, (b) for compliance with applicable requirements, if any, of The Toronto Stock Exchange, and (c) any filings, registrations and qualifications which if not made, would not be expected to have a Material Adverse Effect.

SHEARMAN & STERLING LLP

(1) The Agreement has been duly executed and delivered by Company and is a legal, valid, and binding obligation of Company, enforceable against Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting creditors' rights, and subject to general equity principles and to limitations on availability of equitable relief, including specific performance.

(2) The offer, sale and issuance of the Securities to be issued in accordance with the Agreement are exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended.

EXHIBIT B

WIRE INSTRUCTIONS

Destination Bank:	WACHOVIA BANK N.A. NEW YORK
ABA Number:	026005092
SWIFT:	PNBPUS3NNYC
Beneficiary's Bank :	BANK OF MONTREAL INT'L BANKING H.O. MONTREAL
SWIFT:	BOFMCAM2
Beneficiary Customer:	IMAX CORPORATION
Account Number:	24774700073

IMAX CORPORATION

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Bradley J. Wechsler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 of the registrant, IMAX Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Date: May 12, 2008

By: *"Bradley J. Wechsler"*

Name: Bradley J. Wechsler

Title: Co-Chief Executive Officer

IMAX CORPORATION
Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Richard L. Gelfond, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 of the registrant, IMAX Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Date: May 12, 2008

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

IMAX CORPORATION

Exhibit 31.3

Certification Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Joseph Sparacio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 of the registrant, IMAX Corporation;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Date: May 12, 2008

By: *"Joseph Sparacio"*
Name: Joseph Sparacio
Title: Executive Vice President & 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 March 31, 2008 (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.

Date: May 12, 2008

"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 March 31, 2008 (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.

Date: May 12, 2008

“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, Joseph Sparacio, Executive Vice President & 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 March 31, 2008 (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.

Date: May 12, 2008

“Joseph Sparacio”
Joseph Sparacio
Executive Vice President & Chief Financial Officer