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

FORM 10-Q

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

For the quarterly period ended June 30, 1998

OR

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

Commission File Number 0-24216

IMAX CORPORATION
(Exact name of registrant as specified in its charter)

Canada	98-0140269
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

Class	Outstanding as of July 31, 1998
Common stock, no par value	29,507,474

IMAX CORPORATION

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FORWARD LOOKING INFORMATION

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

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

IMAX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

Amounts in accordance with U.S. Generally Accepted Accounting Principles
(in thousands of U.S. dollars)
(UNAUDITED)

	June 30, 1998	December 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 57,939	$ 64,069
Short-term marketable securities	17,181	10,184
Accounts receivable	35,563	32,401
Current portion of net investment in leases	7,364	6,007
Inventories and systems under construction (note 2)	22,153	21,922
Prepaid expenses	3,186	2,474
Total current assets	143,386	137,057
Long-term marketable securities	7,979	16,277
Net investment in leases	67,899	51,825
Film assets	46,321	42,036
Capital assets	43,643	41,360
Goodwill	42,656	43,915
Other assets	12,823	11,889
Total assets	$364,707	$344,359
Liabilities		
Current liabilities		
Accounts payable	$ 5,050	$ 7,129
Accrued liabilities	23,102	24,220
Current portion of deferred revenue	38,325	29,067
Income taxes payable	818	318
Total current liabilities	67,295	60,734
Deferred revenue	8,583	13,618
Senior notes	65,000	65,000
Convertible subordinated notes	100,000	100,000
Deferred income taxes	26,323	19,596
Total liabilities	267,201	258,948
MINORITY INTEREST	3,552	2,950
Redeemable preferred shares	1,432	1,344
COMMITMENTS AND CONTINGENCIES (notes 3 and 4)		
SHAREHOLDERS' EQUITY		
Capital stock	53,880	52,604
Retained earnings	38,828	28,642
Cumulative translation adjustment	(186)	(129)
Total shareholders' equity	92,522	81,117
Total liabilities and shareholders' equity	$364,707	$344,359

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 9.)

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

	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
REVENUE				
Systems	$30,890	$20,061	$57,254	$37,979
Films	6,761	10,648	13,823	22,947
Other	5,191	4,731	7,865	7,056
	42,842	35,440	78,942	67,982
COSTS AND EXPENSES	18,554	17,726	33,877	32,391
GROSS MARGIN	24,288	17,714	45,065	35,591
Selling, general and administrative expenses	8,462	7,349	17,896	14,689
Research and development	630	310	1,359	809
Amortization of intangibles	630	614	1,259	1,275
EARNINGS FROM OPERATIONS	14,566	9,441	24,551	18,818
Interest income	1,142	1,346	2,404	2,840
Interest expense	(3,330)	(3,333)	(6,617)	(6,632)
Foreign exchange (loss) gain	(156)	98	(229)	22
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	12,222	7,552	20,109	15,048
Provision for income taxes	(5,679)	(3,201)	(9,147)	(6,745)
EARNINGS BEFORE MINORITY INTEREST	6,543	4,351	10,962	8,303
Minority interest	(382)	(203)	(602)	(457)
NET EARNINGS	$ 6,161	$ 4,148	$10,360	$ 7,846
EARNINGS PER SHARE (NOTE 5)				
Basic	$0.21	$0.14	$0.35	$0.27
Diluted	$0.20	$0.14	$0.34	$0.26

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 9.)

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

	Six months ended June 30, 1998	1997
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings	$ 10,360	$ 7,846
Items not involving cash:		
Depreciation and amortization	8,068	6,650
Deferred income taxes	6,706	4,033
Minority interest	602	457
Amortization of discount on senior notes	--	311
Other	450	(56)
Change in net investment in leases	(17,579)	(6,288)
Change in deferred revenue on film production	2,799	(6,075)
Changes in non-cash operating assets and liabilities	(4,411)	(6,942)
Net cash provided by (used in) operating activities	6,995	(64)
INVESTING ACTIVITIES		
Decrease (increase) in marketable securities	1,296	(38,198)
Increase in film assets	(7,712)	(10,557)
Purchase of capital assets	(5,409)	(5,995)
Increase in other assets	(2,144)	(3,004)
Net cash used in investing activities	(13,969)	(57,754)
FINANCING ACTIVITIES		
Repayment of long-term debt	--	(1,162)
Class C preferred shares dividends paid	(386)	--
Common shares issued	1,276	4,599
Net cash provided by financing activities	890	3,437
Effect of exchange rate changes on cash	(46)	140
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(6,130)	(54,241)
Cash and cash equivalents, beginning of period	64,069	102,589
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 57,939	$ 48,348

(See accompanying notes to the condensed consolidated financial statements on pages 7 to 9.)

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
In accordance with U.S. Generally Accepted Accounting Principles
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1998 AND 1997
(UNAUDITED)

1. BASIS OF PRESENTATION

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

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

2. INVENTORIES AND SYSTEMS UNDER CONSTRUCTION

	June 30, 1998	December 31, 1997
Raw materials	$ 8,851	$ 6,943
Work-in-process	12,752	14,508
Finished goods	550	471
	$22,153	$21,922

3. FINANCIAL INSTRUMENTS

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

To fund Canadian dollar costs through January 2000, the Company had entered into forward exchange contracts as at June 30, 1998 to hedge the conversion of $43.0 million of its cash flow into Canadian dollars at an average exchange rate of Canadian $1.41 per U.S. dollar. In addition, the Company had entered into forward exchange contracts as at June 30, 1998 to hedge the conversion of 149 million Yen of its cash flow in 1998 and 1999 into U.S. dollars at an average exchange rate of 134 Yen per U.S. dollar.

The Company has also entered into foreign currency swap transactions to hedge minimum lease payments receivable under sales-type lease contracts denominated in Japanese Yen and French Francs. These swap transactions fix the foreign exchange rates on conversion of 168 million Yen at 98 Yen per U.S. dollar through September 2004 and on 17.4 million Francs at 5.1 Francs per U.S. dollar through September 2005.

These hedging contracts are expected to be held to maturity; however, if they were terminated on June 30, 1998, the Company would have realized a loss of approximately $1.4 million based on the then prevailing exchange rates.

4. CONTINGENCIES

a) In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Predecessor Imax was in negotiations with the plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The plaintiffs claimed damages of Canadian $4.6 million, representing the amount of profit they claimed they were denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgment interest.

Compagnie France Film had also incorporated a shell company, 3101-8450 Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian $2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian $2.5 million.

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

(b) On February 26, 1996, Iwerks Entertainment, Inc. filed a complaint against the Company alleging violations under the Sherman Act, the Clayton Act, tortious interference with contracts and prospective economic advantage, and unfair competition. The plaintiff was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgement in April 1998. In May 1998, Iwerks Entertainment, Inc. filed an appeal of this decision. The amount of the loss, if any, cannot be determined at this time.

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

5. EARNINGS PER SHARE

(a) Pursuant to shareholders' approval at the Annual and Special Meeting held on May 6, 1997 the Company's shares were split on a 2-for-1 basis in May 1997. Earnings per share data for the prior year periods give effect to the stock split as if it had taken place at the beginning of the respective period.

IMAX CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
In accordance with U.S. Generally Accepted Accounting Principles
(Tabular amounts in thousands of U.S. dollars unless otherwise stated)
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 1998 AND 1997
(unaudited)

5. EARNINGS PER SHARE (CONT'D)

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

	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
Net earnings available to common shareholders:				
Net earnings	$ 6,161	$ 4,148	$ 10,360	$ 7,846
Less:				
Accrual of dividends on preferred shares	(43)	(43)	(86)	(85)
Accretion of discount of preferred shares	(44)	(40)	(88)	(78)
Net earnings used in computing basic earnings per share	6,074	4,065	10,186	7,683
Interest expense on Convertible Subordinated Notes, net of tax	885	--	885	--
Net earnings used in computing diluted earnings per share	$ 6,959	$ 4,065	$ 11,071	$ 7,683
Weighted average number of common shares (000's):				
Issued and outstanding at beginning of period	29,115	27,912	29,115	27,885
Weighted average shares issued in the period	138	286	103	165
Weighted average used in computing basic earnings per share	29,253	28,198	29,218	28,050
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	1,205	1,849	1,218	1,856
Assumed conversion of Convertible Subordinated Notes	4,671	--	2,336	--
Weighted average used in computing diluted earnings per share	35,129	30,047	32,772	29,906

Common shares potentially issuable pursuant to the Convertible Subordinated Notes were excluded from the above computations for the three months ended March 31, 1998 and the three and six months ended June 30, 1997 since they would have had an antidilutive effect on earnings per share.

6. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, became effective for the Company's 1998 fiscal year. Comprehensive income items include certain gains and losses, such as foreign currency translation adjustments, that bypass the Company's net earnings and are accumulated directly in shareholders' equity. Comprehensive income was $6,112,000 and $4,302,000 for the three months ended June 30, 1998 and 1997, respectively and $10,327,000 and $7,930,000 for the six months ended June 30, 1998 and 1997, respectively.

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

RESULTS OF OPERATIONS

THEATER SIGNINGS AND BACKLOG

During the second quarter of 1998, the Company signed contracts for eight IMAX theater systems valued at $28.8 million, representing a 26% increase over the $22.9 million value of the 15 theater systems contracts (including six theaters in which the Company had an equity interest) signed in the second quarter of 1997. The Company does not attribute any value to theaters in which it has an equity interest in its signings totals. For the six months ended June 30, 1998, the Company signed contracts for 21 theater systems valued at $60.5 million, a 25% increase over the $48.5 million value of the 24 contracts (including six theaters in which the Company had an equity interest) signed in the prior year period. As a result of these theater signings, the Company's sales backlog grew to $189.2 million at June 30, 1998, a 2% increase from $185.8 million at March 31, 1998 and an 8% increase from $175.4 million at December 31, 1997.

The Company's sales backlog at June 30, 1998 represented contracts for 82 theater systems, including the upgrade of one existing theater to IMAX 3D. Most of the 36 IMAX 3D SR theater systems in backlog represent theater systems contracted for under multi-theater exhibitor agreements and may be replaced in backlog by larger IMAX 3D theater systems when specific theater locations are determined in the future. There are 14 theater systems in backlog which will be located at theaters in which the Company has an equity interest. The Company's sales backlog will vary from quarter to quarter depending on the signing of new systems which adds to backlog and the delivery of systems which reduces backlog. Sales backlog represents the minimum revenues under signed system sale and lease agreements that will be recognized as revenue as the associated theater systems are delivered. The minimum revenue comprises the upfront fees plus the present value of the minimum royalties due under sales-type lease agreements for the first 10 years of the initial lease term. The value of sales backlog does not include revenues from theaters in which the Company has an equity interest, letters of intent, IMAX(R) Ridefilm(TM) system contracts or long-term conditional theater commitments.

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

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

The Company reported net earnings of $6.2 million or $0.20 per share on a diluted basis for the second quarter of 1998 compared to $4.1 million or $0.14 per share on a diluted basis for the second quarter of 1997. Earnings per share information for the prior year period has been adjusted for the 2-for-1 stock split which became effective by May 27, 1997 and the adoption of Financial Accounting Standards No. 128 which became effective by December 15, 1997.

The Company's revenues for the second quarter of 1998 increased 21% to $42.8 million from $35.4 million in the corresponding quarter last year as a result of growth in systems revenue which more than offset a decline in film revenue.

Systems revenue, which includes revenue from theater system sales and leases, royalties and maintenance fees, increased approximately 54% to $30.9 million in the second quarter of 1998 from $20.1 million in the same quarter last year. The Company delivered eight theater systems in the second quarter of 1998 versus five theater systems in the second quarter of 1997. Revenues recognized in the second quarter of 1998 reflect a higher average value of theater systems contracts compared to 1997 due to a greater proportion of IMAX 3D systems. Recurring revenues from royalties (net of arrears billings in the second quarter of 1997) and maintenance fees increased approximately 14% in the second quarter over the corresponding period last year as a result of growth in the IMAX theater network.

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

THREE MONTHS ENDED JUNE 30, 1998 VERSUS THREE MONTHS ENDED JUNE 30, 1997 (CONT'D)

Film revenue comprises revenue recognized from film production, film distribution and film post-production activities. Film revenue decreased 37% to $6.8 million in the second quarter of 1998 from $10.6 million in the same quarter last year due to a reduction in film distribution revenue. Film distribution revenue was lower in the second quarter of 1998 compared to the second quarter of 1997 due to the timing of film releases. The Company's major 1998 film releases will not occur until later in the year while the Company had two very successful films in distribution in the second quarter of 1997.

Other revenues increased 10% to $5.2 million from $4.7 million in the prior year quarter due mainly to increased camera rental activities. The Company delivered two IMAX Ridefilm systems in the second quarter of 1998 versus three IMAX Ridefilm systems in the second quarter last year.

Gross margin for the second quarter of 1998 was $24.3 million, or 57% of total revenue, compared to $17.7 million, or 50% of total revenue, in the corresponding quarter last year. The increase in gross margin as a percentage of total revenue is due to the higher proportion of systems revenue (which is generally higher margin than film and other revenues) in the second quarter of 1998 compared to the corresponding quarter in 1997.

Selling, general and administrative expenses were $8.5 million in the second quarter of 1998 compared to $7.3 million in the corresponding quarter last year. The increase in selling, general and administrative expenses in 1998 over 1997 resulted from several factors including an increase in affiliate relations initiatives, an increase in performance-based compensation and staffing additions to the Company's film department, particularly in marketing and distribution.

Research and development expenses amounted to $0.6 million in the second quarter of 1998 compared to $0.3 million in the second quarter of last year. Research and development expenses incurred in the second quarter of 1997 were lower than historical levels as some of the Company's technical staff had been redirected to the design and production of the new IMAX 3D SR theater system and were not engaged in research and development activities.

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

SIX MONTHS ENDED JUNE 30, 1998 VERSUS SIX MONTHS ENDED JUNE 30, 1997

The Company reported net earnings of $10.4 million or $0.34 per share on a diluted basis for the first half of 1998 compared to $7.8 million or $0.26 per share on a diluted basis for the first half of 1997. Earnings per share information for the prior year period has been adjusted for the 2-for-1 stock split which became effective by May 27, 1997 and the adoption of FASB 128 which became effective by December 15, 1997.

The Company's revenues for the first half of 1998 increased 16% to $78.9 million from $68.0 million in the corresponding period last year primarily as a result of increased systems revenue which more than offset a decline in film revenue.

Systems revenue increased approximately 51% to $57.3 million in the first half of 1998 from $38.0 million in the same period last year as the Company recognized revenues on 16 theater systems compared to nine theater systems in the same period last year. Recurring revenues from both royalties (net of arrears billings in the first half of 1997) and maintenance fees increased 14% in the first half of 1998 over the prior year period due to growth in the IMAX theater network.

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

SIX MONTHS ENDED JUNE 30, 1998 VERSUS SIX MONTHS ENDED JUNE 30, 1997 (CONT'D)

Film revenue decreased 40% to $13.8 million in the first half of 1998 from $22.9 million in the same period last year due to declines in film production and film distribution revenues. Film production revenue declined by $5.6 million in the first half of 1998 versus the first half last year as the Company shifted its film production resources from third party films to its own film projects. Film distribution revenue decreased 40% in the first six months of 1998 compared to the same period last year due to the timing of film releases as the Company's major 1998 film releases will not occur until later in the year.

Gross margin for the first half of 1998 was $45.1 million, or 57% of total revenue, compared to $35.6 million, or 52% of total revenue, in the corresponding period last year. The increase in gross margin as a percentage of total revenue is primarily due to the higher proportion of systems revenue (which has generally a higher margin than film and other revenue) in the first half of 1998 compared to the corresponding period in 1997.

Selling, general and administrative expenses were $17.9 million in the first half of 1998 compared to $14.7 million in the first half of 1997. The increase in selling, general and administrative expenses in 1998 over 1997 resulted from several factors including an increase in performance based compensation, increased affiliate relations initiatives and staffing additions to the Company's film area, particularly in marketing and distribution.

Research and development expenses were $1.4 million in the first half of 1998 compared to $0.8 million in the first half last year. The higher level of expenses in 1998 reflects costs associated with the development of a new sound system. The research and development expenses incurred in the first half of 1997 were lower than historical levels as some of the Company's technical staff had been redirected to the design and production of the new IMAX 3D SR theater system and were not engaged in research and development activities.

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

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1998, the Company's principal source of liquidity included cash and cash equivalents of $57.9 million, marketable securities totalling $25.2 million, trade accounts receivable of $35.6 million, net investment in leases of $7.4 million due within one year and the amounts receivable under contracts in backlog which are not yet reflected on the balance sheet. The Company also has unused lines of credit under a working capital facility of $4.9 million.

The Senior Notes due March 1, 2001 are subject to redemption by the Company, in whole or in part, at any time on or after March 1, 1998 at redemption prices expressed as percentages of the principal amount (1998 - 104.29%; 1999 - 102.86%; 2000 - 101.43%) together with interest accrued thereon to the redemption date. Subject to market conditions, the Company may elect to redeem some or all of the Senior Notes prior to their maturity as part of a refinancing of its capital structure.

The 5 3/4 % Convertible Subordinated Notes (the "Subordinated Notes") due April 1, 2003 are convertible into common shares of the Company at the option of the holder at a conversion price of $21.406 per share (equivalent to a conversion rate of 46.7154 shares per $1,000 principal amount of Subordinated Notes) at any time prior to maturity. The Subordinated Notes are redeemable at the option of the Company on or after April 1, 1999 at redemption prices expressed as percentages of the principal amount (1999 - 103.286%; 2000 - 102.464%; 2001 - 101.643%; 2002 - 100.821%) plus accrued interest. The Subordinated Notes may only be redeemed by the Company between April 1,

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

LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

1999 and April 1, 2001 if the last reported market price of the Company's common shares is equal to or greater than $30 per share for any 20 of the 30 consecutive trading days prior to the notice of redemption. The Subordinated Notes may be redeemed at any time on or after April 1, 2001 without limitation.

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

In the first half of 1998, cash provided by operating activities amounted to $7.0 million after the payment of interest on the Senior and Convertible Notes totalling $6.1 million. Cash flow from operations also includes an increase of $2.8 million in funds held for sponsored film productions which will be expended in future periods.

Cash used in investing activities in the first half of 1998 included: a decrease of $1.3 million in marketable securities; an increase in film assets of $7.7 million, primarily related to T.rex: Back to The Cretaceous, Galapagos and other films in development; and expenditures of $5.4 million on capital assets, principally wholly-owned theaters, cameras, a building expansion at Sonics Associates and other assets under construction. In November 1997, Sonics Associates Inc., a subsidiary of the Company, announced a non-binding Memorandum of Understanding with Creative Technology Ltd. which contemplated the joint formation of a company to bring Sonics' Surround Sound FX(R) 3D headset and audio processing technology to the consumer market and the PC mass market. This Memorandum of Understanding has subsequently lapsed.

During the first half of 1998, cash provided by financing activities included $1.3 million of proceeds from common shares issued under the Company's stock option plan partially reduced by a payment of accrued dividends on the Class C preferred shares totalling $0.4 million.

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

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In April 1994, Compagnie France Film Inc. filed a claim against the Company in the Superior Court in the District of Montreal, in the Province of Quebec, alleging breach of contract and bad faith in respect of an agreement which the plaintiff claims it entered into with the Company for the establishment of an IMAX theater in Quebec City, Quebec, Canada. Until December 1993, Imax was in negotiations with the plaintiff and another unrelated party for the establishment of an IMAX theater in Quebec City. In December 1993, Predecessor Imax executed a system lease agreement with the other party. During the negotiations, both parties were aware of the other party's interest in also establishing an IMAX theater in Quebec City. The plaintiffs claimed damages of Canadian $4.6 million, representing the amount of profit they claimed they were denied due to their inability to proceed with an IMAX theater in Quebec City, together with expenses incurred in respect of this project and pre-judgement interest. The Company disputed this claim and filed a defense in response. Compagnie France Film had also incorporated a shell company, 3101-8450

ITEM 1. LEGAL PROCEEDINGS (CONT'D)

Quebec Inc. ("3101"). 3101 was to, among other things, enter into a lease for the proposed IMAX theater site. In November 1993, while negotiations between Compagnie France Film and the Company were still ongoing, 3101 entered into a lease for the site. 3101 defaulted on the lease and the landlord sued 3101 in an unrelated action to which the Company was not a party. In February 1996, 3101 was found liable to pay the landlord damages in the amount of Canadian $2.5 million. Subsequent to that judgment 3101 intervened in the lawsuit between Compagnie France Film and the Company in order to claim from the Company damages in the amount of Canadian $2.5 million. The Company disputed these claims and the suit went to trial in January 1998. In a decision rendered in April 1998, the Court dismissed the plaintiffs' claims with costs. In May 1998, the plaintiffs and 3101 both filed appeals of the decision to the Court of Appeal. The Company believes that the amount of loss, if any, will not have a material impact on the financial position or results of operation of the Company, although no assurance can be given with respect to the ultimate outcome of this litigation.

The Company filed a complaint in August 1994 in the U.S. District Court for the Northern District of California claiming that Neil Johnson, NJ Engineering Inc. and Cinema Technologies Inc. have misappropriated the Company's trade secrets in the design and manufacture of defendants' 70mm 15-perforation projection systems. The Company is seeking an injunction against Cinema Technologies Inc. to prevent shipment of projectors, which incorporate the Company's trade secrets, in addition to damages. The defendant has brought two motions for summary judgement, one of which was based on the defendant's statute of limitations defense and the other based on, among others, the defendant's contention that the trade secrets at issue were not trade secrets. The court denied the motion based on the statute of limitations defense, granted the motion based on the trade secret status issue, and entered a judgement for the defendants. The Company has filed an appeal of this decision to the U.S. Court of Appeal for the Ninth Circuit. The appeal was heard in February 1998. The Court has reserved its decision.

Iwerks Entertainment, Inc. ("Iwerks") filed a complaint against the Company on February 26, 1996 in the U.S. District Court for the Central District of California alleging violations under the Sherman Act, the Clayton Act, and tortious interference with contracts and prospective economic advantage. Iwerks was seeking unquantified damages, injunctive relief and restitution. All claims against the Company were dismissed in a summary judgment in April 1998. In May 1998, Iwerks filed an appeal of this decision to the U.S. Court of Appeals for the Ninth Circuit. The amount of loss, if any, cannot be determined at this time.

In July 1997, Debra B. Altman filed a claim against the Company, and certain unidentified individuals, in the Superior Court of the State of California for the County of Los Angeles, alleging breach of contract, breach of implied covenant of good faith and fair dealing, breach of implied-in-fact contract, breach of confidence, constructive fraud, quantum meruit, unjust enrichment and constructive trust with respect to a film project the plaintiff claims to have pursued with the Company. The plaintiff sought unquantified damages exceeding $5 million. The Company disputed this claim and had removed it to the U.S. District Court for the Central District of California, Western Division. On August 6, 1998, the parties agreed to settle the action. In management's opinion, the terms of the settlement will not have a material impact on the financial position or results of the operation of the Company.

On March 5, 1998, Rosalini Film Productions Inc. filed a claim against the Company in the U.S. District Court for the Central District of California, alleging breach of written agreement, breach of implied covenant of good faith and fair dealing, fraud and deceit, negligent misrepresentation, unfair competition, unjust enrichment, quantum meruit, constructive trust and declaratory relief with respect to a film project the Plaintiff claimed to have pursued with the Company. The Plaintiff was seeking unquantified damages. The Company disputed this claim and intended to vigorously defend this action. In April 1998, the Plaintiff filed a voluntary dismissal of its claim.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of the Company's shareholders held on June 22, 1998, shareholders represented at the meeting, whether in person or by proxy: (i) elected Richard L. Gelfond, Miles S. Nadal and Bradley J. Wechsler as Class III directors of the Company for a term expiring in 2001 (12,341,956 shares voted for and 266,103 shares withheld); and (ii) appointed Coopers & Lybrand as auditors of the Company to hold office until the next annual meeting of shareholders at a remuneration to be fixed by the Board of Directors (12,519,877 shares voted for and 14,777 shares withheld). The term of the Class I Directors, John M. Davison, I. Graeme Ferguson, Michael Fuchs and Philip C. Moore, expires in 2000. The term of the Class II directors, Garth Girvan, Murray Koffler and Marc Utay, expires in 1999.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) REPORTS ON FORM 8-K

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

SIGNATURES

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

IMAX CORPORATION

Date: August 13, 1998

By: /S/ John M. Davison

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

By: /S/ Michael M. Davies

Michael M. Davies
Vice President and Corporate Controller
(Principal Accounting Officer)