This is a preliminary short form prospectus relating to these securities, a copy of which has been filed with the securities commission or similar regulatory authority in each of the Provinces of Canada but which has not become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority.

Preliminary Short Form Prospectus dated January 19, 1998

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Nelvana Limited at 32 Atlantic Avenue, Toronto, Ontario, M6K 1X8, telephone no. (416) 588-5571, extension 214. For the purpose of the Province of Quebec, this short form prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary of Nelvana Limited at the above-mentioned address and telephone number. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933. Accordingly, except pursuant to certain transactions exempt from the registration requirements of such Act, the securities offered hereby may not be offered or sold in the United States of America and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

New Issue and Secondary Offering

NELVANA LIMITED

$33,962,500

1,235,000 SUBORDINATE VOTING SHARES

1,165,000 Subordinate Voting Shares of Nelvana Limited ("Nelvana" or the "Company") will be issued by the Company and an aggregate of 70,000 Subordinate Voting Shares of the Company (collectively, the "Subordinate Voting Shares") will be sold by personal holding companies (the "Selling Shareholders") controlled by Michael Hirsh, Patrick Loubert and Clive Smith pursuant to the terms of the underwriting agreement dated as of January 15, 1998 among RBC Dominion Securities Inc., Yorkton Securities Inc., First Marathon Securities Limited, Deacon Capital Corporation and Griffiths McBurney & Partners (collectively, the "Underwriters"), the Company and the Selling Shareholders. See "Plan of Distribution".

The outstanding Subordinate Voting Shares are listed and posted for trading on The Toronto Stock Exchange and the Montreal Exchange under the trading symbol "NTV". The most recent closing price of the Subordinate Voting Shares on The Toronto Stock Exchange prior to the determination of the offering price hereunder was $28.50.

Price: $27.50 per Subordinate Voting Share

	Price to Public	Underwriters' Fees(1)(2)	Net Proceeds to the Company(3)	Net Proceeds to Selling Shareholders(3)
Per Subordinate Voting Share	$27.50	$1.10	$26.40	$26.40
Total	$33,962,500	$1,358,500	$30,756,000	$1,848,000

(1) Commission paid to the Underwriters is equal to 4% of the purchase price of the Subordinate Voting Shares.

(2) The Company has granted to the Underwriters an option, exercisable for a period of 30 days following the closing of this offering, to purchase up to an aggregate of 185,250 additional Subordinate Voting Shares at the offering price, for the sole purpose of covering over-allotments. The Subordinate Voting Shares issuable upon the exercise of such option are also qualified for distribution under this prospectus. If such option is exercised in full, the total Price to the Public, Underwriters' Fees and Net Proceeds to the Company will be $39,056,875, $1,562,275, and $35,646,600, respectively. See "Plan of Distribution".

(3) Before deducting the expenses of the offering, estimated to be $300,000, of which $282,996 is payable by the Company from its general funds and $17,004 (being their pro rata share) is payable by the Selling Shareholders.

The Underwriters, as principals, conditionally offer the Subordinate Voting Shares, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Osler, Hoskin & Harcourt and on behalf of the Underwriters by Lang Michener.

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank which is the principal lender to Nelvana. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that certificates for the Subordinate Voting Shares will be available for delivery at closing, which will take place on or about February 4, 1998, or such later date as the Company and the Underwriters may agree, but in any event not later than March 4, 1998.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the securities commissions or similar regulatory authorities in each of the Provinces of Canada (known as the permanent information record in the Province of Quebec), are incorporated by reference into and form an integral part of this short form prospectus:

a. the Company's Annual Information Form dated April 25, 1997;

b. Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended December 31, 1996 (the "1996 Annual Report");

c. audited annual comparative consolidated financial statements of the Company for the year ended December 31, 1996, together with the auditors' report thereon and the notes thereto contained in the 1996 Annual Report;

d. unaudited interim comparative consolidated financial statements of the Company for the three months ended March 31, 1997, the six months ended June 30, 1997 and the nine months ended September 30, 1997 (the "Interim Statements");

e. the Company's Management Information Circular dated April 25, 1997 prepared in connection with the Company's annual meeting of shareholders held on June 17, 1997 other than the sections entitled "Composition of the Compensation Committee", "Report on Executive Compensation" and "Performance Graph"; and

f. the material change report of the Company dated June 24, 1997 in respect of: (i) changes to the Company's Board of Directors; (ii) strategic business initiatives; and (iii) the Company's new accounting policy for revenue recognition.

Any document of the type referred to in the preceding paragraph and any interim financial statements or material change reports that are filed by the Company with securities commissions or similar authorities in the Provinces of Canada, subsequent to the date of this short form prospectus and prior to the termination of this offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE COMPANY

Nelvana is a leading Canadian entertainment company internationally recognized for its children and family productions. Nelvana's primary business is the production of high-quality animated television series and animated feature films which it produces principally at its Toronto studio. Nelvana also distributes internationally the television series and feature films that it produces and licenses character rights for merchandising purposes. Nelvana was founded in 1971 by Michael Hirsh, Patrick Loubert and Clive Smith and completed an initial public offering of Subordinate Voting Shares in May, 1994.

Nelvana is the producer of such world renowned traditional animated series as *Rupert*, *Babar*, *Little Bear*, *Care Bears*, *Pippi Longstocking* and Scholastic's *The Magic School Bus*, as well as contemporary series including, among others, *Franklin the Turtle*, *Stickin' Around*, *Ned's Newt* and *Sam & Max*.

The Company's registered and principal office is located at 32 Atlantic Avenue, Toronto, Ontario, M6K 1X8.

RECENT DEVELOPMENTS

Corporate Strategy

Nelvana's corporate strategy is to focus its production activities entirely on proprietary production of animated television series and feature films, and to strengthen and expand its distribution capabilities to support the expanded volume of proprietary programs. The Company also intends to expand its existing merchandising and video distribution businesses to build its character brands and support distribution of its program library.

In 1997, the Company made the strategic decision to focus its activities primarily on proprietary productions, and has significantly reduced service productions in order to build its program library and library revenues with a view to increasing its earnings and margins. Only minimal service work was completed in 1997 and no significant service work is expected to be undertaken in 1998. The Company is concentrating its efforts on its core business, animated television productions, where it has had consistent success in the past. As part of its strategy, the Company has broadened its target audience by expanding into animated series for prime time television and into the 3-D animation business, without de-emphasizing the traditional, preschool, children and family programming for which it is well known.

Change in Accounting Policy

Commencing in the second quarter of 1997, Nelvana changed its accounting policy for proprietary productions to recognize revenue on the episodic completion basis rather than on a completed series basis. The new policy conforms the Company's revenue recognition policy with industry norms.

The Company has restated certain historical financial statements in accordance with this change in accounting policy. See the Interim Statements incorporated herein by reference and "Selected Financial Information".

Teletoon

During the third quarter of 1997, the Company exercised its option to increase its equity ownership in Teletoon, a new Canadian animation speciality television service, from 10% to 20%, by making an additional equity investment of $200,000 in Teletoon. The service began broadcasting in French-speaking markets on September 8, 1997 and in English-speaking markets on October 17, 1997.

3-D Animation Business

In the fourth quarter of 1997, Nelvana announced its plans to expand its 3-D animation business with the acquisition of a Minneapolis-based 3-D television production company, Windlight Studios ("Windlight"), and its plan to open a new 10,000 square foot 3-D computer graphics imaging facility in Toronto, adjacent to its existing facilities. As a result of a transaction completed in 1995, Nelvana held 16.7% of the shares of Windlight through a 1% equity interest and a loan in the amount of $449,000 convertible into a further 15.7% equity interest. Nelvana converted the loan and acquired the remaining 83.3% of the shares of Windlight for $3.12 million, of which $934,556 was paid in cash and the balance satisfied by the issuance of 81,093 Subordinate Voting Shares at a price of $26.89 per share.

Expansion of its 3-D business is a key element in Nelvana's corporate strategy to produce a full spectrum of proprietary animation. Nelvana plans to deliver its first 3-D series, Rolie Polie Olie, to The Disney Channel in 1998.

Tax Settlement

In late December 1997, Nelvana announced that it had reached a settlement with Revenue Canada regarding the income tax audit previously disclosed in Nelvana's 1996 financial statements. Revenue Canada had disputed the treatment of certain amounts as deferred revenue for income tax purposes for the Company's 1992 and subsequent financial years.

As a result of this settlement, Nelvana will recognize certain deferred revenue as income for Canadian income tax purposes in 1996 and 1997. Nelvana was able to reduce the current taxes due under this settlement by claiming additional capital cost allowance, resulting in a current federal and provincial tax liability of approximately $2.5 million. This liability had been previously provided for and there will be no resulting impact on earnings. The Company will offset the taxes payable under the settlement against production tax credits to be received in 1998. The actual cost of the settlement to the Company is substantially lower than the potential liability disclosed in the Company's 1996 annual report.

Agreement with CBS Television

In January 1998, the Company and CBS Television agreed in principle to form a strategic relationship to produce television series for that network's Fall 1998 and 1999 Saturday morning children's schedule. Nelvana is currently negotiating the definitive terms of this arrangement.

Under the terms of the arrangement, Nelvana will deliver six animated series (including one series which has already been completed) for the network's Fall 1998 schedule, and a minimum of four and a maximum of six series for the Fall 1999 schedule. If the aggregate ratings performance of the series for either year of the term exceeds certain levels, the agreement will automatically be extended for a third season.

Nelvana will receive a U.S. licence fee on a per episode basis and a performance bonus based upon the series' ratings performance. As is typical in the industry, CBS Television has customary network creative approvals on the series. Subject to distribution rights granted to others by Nelvana, Nelvana will retain distribution rights for the programs it produces in all territories other than the United States, and the U.S. licence rights will revert to Nelvana after the expiry of the licence period of the network and its distribution subsidiary.

Nelvana is arranging the additional financing required for the series.

Directors and Officers

In fiscal 1997, the Company expanded its Board of Directors by adding two new independent directors and made a number of changes to its senior management team. The name, municipality of residence, position held with the Company, principal occupations and periods of service of each of the Company's current directors and officers are set out below.

Name	Position with Company	Principal Occupation	Director Since
William E. Ardell Toronto, Ontario	Director	Management Consultant	June 17, 1997
T. Richard Davies Willowdale, Ontario	Director	Retired Bank Executive	May 27, 1994
Michael St. B. Harrison Montreal, Quebec	Director & Chairman	President, MacDougall, MacDougall & MacTier Inc.	March 15, 1994
Michael Hirsh Toronto, Ontario	Director & Co-Chief Executive Officer	Officer of the Company	July 30, 1971
James C. Kellner Beverly Hills, California	Director	Chief Executive, WB Television Network	June 29, 1994
James E. Kofman Toronto, Ontario	Director	Director, Bunting Warburg Inc.	March 15, 1994
Patrick Loubert Toronto, Ontario	Director & Co-Chief Executive Officer	Officer of the Company	July 30, 1971
Eleanor Olmsted Toronto, Ontario	Director	Corporate Director	March 15, 1994

Clive Smith Toronto, Ontario	Director & Senior Executive Vice-President	Officer of the Company	July 30, 1971
John Tevlin Toronto, Ontario	Director	Management Consultant	June 17, 1997
Patricia Burns Scarborough, Ontario	Vice-President, Production	Officer of the Company	
Stephen Hodgins Bolton, Ontario	Senior Vice-President, Production	Officer of the Company	
Sally Moyer Kent Toronto, Ontario	Senior Vice-President, Finance and Chief Financial Officer	Officer of the Company	
Sheila Murray-Tateishi Toronto, Ontario	Senior Vice-President and Treasurer	Officer of the Company	
John Vandervelde King City, Ontario	Vice-President, Finance and Corporate Secretary	Officer of the Company	

All of the persons named above who are officers of the Company have been officers or employees of the Company either in their current capacity or some other capacity for at least the past five years, except Ms. Moyer Kent who, prior to August 1997, was Vice-President, Finance and Chief Financial Officer of Rogers Cablesystems Limited, a subsidiary of Rogers Communications Inc., and Mr. Vandervelde who, prior to August 1993, was a Senior Manager with the chartered accounting firm which is now known as KPMG.

All of the persons named above who are not officers of the Company have held the positions indicated above for more than the past five years, except Mr. Kofman who, prior to January 1997, was a partner of the law firm of Osler, Hoskin & Harcourt and Mr. Davies who, prior to his retirement, was an executive of a Canadian chartered bank. Ms. Olmsted resigned as an officer of the Company, effective the end of October 1997, but retained her position on the Board of Directors. In connection with her resignation, the Multiple Voting Shares that were held by Ms. Olmsted have been converted into Subordinate Voting Shares and are no longer subject to the voting trust agreement dated May 3, 1994 among certain principal shareholders of the Company and CIBC Mellon Trust Company (formerly The R-M Trust Company), as trustee.

CONSOLIDATED CAPITALIZATION

The following table and notes set forth the consolidated capitalization of the Company as at September 30, 1997, as at December 31, 1997 and as at December 31, 1997 after giving effect to this offering (in each case without giving effect to the exercise of the over-allotment option).

	Authorized	As at Sept. 30, 1997	As at Dec. 31, 1997	As at Dec. 31, 1997 adjusted to give effect to this offering
		(unaudited - in thousands of dollars)		
INDEBTEDNESS				
Loans payable		$8,838	$16,460	$16,460
SHAREHOLDERS' EQUITY				
Preference Shares	unlimited	nil	nil	nil
Subordinate Voting Shares [(1)]	unlimited	$40,033 (3,535,573 shares)	$42,267 (3,702,094 shares)	$74,305 (4,916,694 shares)
Multiple Voting Shares	2,262,215 [(2)]	$0 (2,262,215 shares)	$0 (2,180,497 shares)	$0 (2,130,897 shares)
Non-Voting Shares	unlimited	nil	nil	nil
Retained earnings [(3)]		$20,135	$20,135	$19,212 [(4)]
TOTAL CAPITALIZATION		$69,006	$78,862	$109,977

(1) As at December 31, 1997, a total of 254,260 Subordinate Voting Shares were issuable pursuant to options outstanding under the Company's share option plan.
(2) As at September 30, 1997. The number of Multiple Voting Shares authorized is reduced upon the conversion of Multiple Voting Shares into Subordinate Voting Shares.
(3) Retained earnings are as at September 30, 1997.
(4) After giving effect, on an after-tax basis, to payment of the underwriters' fees and the expenses of this offering.

SELECTED FINANCIAL INFORMATION

The following table sets forth certain selected financial information for the Company giving effect to the change in the Company's accounting policy for proprietary productions referred to under "Recent Developments -- Change in Accounting Policy".

(dollars in thousands except per share amounts)

g.

	Nine months ended September 30, (unaudited)		Year ended December 31, (unaudited)	
	1997	1996[(1)] (restated)	1996[(1)] (restated)	1995[(1)]
Revenue				
Production and distribution	**$ 23,854**	$ 16,782	$ 27,493	$ 35,090
Production services	**5,893**	17,332	30,777	19,694
Merchandising and other	**3,067**	2,906	3,812	3,940
	32,814	37,020	62,082	58,724
Expenses				
Film and television program amortization	**17,209**	11,314	17,939	22,149
Operating	**10,696**	21,790	35,423	24,325
Merchandising	**1,538**	1,794	2,268	2,585
Interest	**321**	245	326	355
	29,764	35,143	55,956	49,414
Earnings before income taxes	**3,050**	1,877	6,126	9,310
Provision for income taxes	**1,305**	800	2,444	3,867
Net earnings for the period	**$ 1,745**	$ 1,077	$ 3,682	$ 5,443
Basic earnings per share	**$ 0.31**	$ 0.21	$ 0.71	$ 1.05
Other Statistics				
Investment in film and television programs	**$ 42,153**	$ 31,984	$ 34,930	$ 21,924
Total assets	**$ 81,791**	$ 60,789	$ 81,895	$ 65,241
Cashflow from operations	**$ 11,834**	$ 18,133	$ 29,165	$ 16,737
Episode deliveries				
Proprietary	47	45	69	74
Service	13	38	69	32
	60	83	138	106
Feature film deliveries	**1**	--	--	--

(1) Restated to reflect the change in accounting policy described under "Recent Developments - Change in Accounting Policy".

CHANGES TO SHARE CAPITAL

In April 8, 1997, Articles of Amendment were filed creating Non-Voting Shares in the capital of the Company. The rights, privileges, restrictions and conditions attaching to the Non-Voting Shares are identical to those of the Subordinate Voting Shares and Multiple Voting Shares, except that holders of the Non-Voting Shares will not, as such, be entitled to vote except where required by law. To date, the Company has not issued any Non-Voting Shares and there are no immediate plans to do so.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Preferred Shares, an unlimited number of of Subordinate Voting Shares, 2,180,497 of Multiple Voting Shares (as at December 31, 1997) and an unlimited number of Non-Voting Shares of which 3,702,094 Subordinate Voting Shares and 2,180,497 Multiple Voting Shares were issued and outstanding as at December 31, 1997.

Preference Shares

The Preference Shares of Nelvana are issuable in series. To date, no Preference Shares have been issued by the Company nor has any series of Preference Shares been authorized by the Board of Directors for issuance. The Preference Shares rank on a parity with preference shares of every other series and prior to the Subordinate Voting Shares, Multiple Voting Shares and Non-Voting Shares with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company. Except as required by law or as may be allowed in respect of specific series of Preference Shares when dividends are in arrears, the holders of the Preference Shares as a class are not, as such, entitled to receive notice of, to attend or to vote at any meeting of shareholders of the Company. The directors of Nelvana are empowered to fix the rights to be attached to each series of Preference Shares including the voting rights, if any, the amount of dividends, conversion rights, redemption rights and rights to distributions of assets in the event of the liquidation, dissolution or winding up of the Company.

Subordinate Voting Shares, Multiple Voting Shares and Non-Voting Shares

Dividends

The holders of Subordinate Voting Shares, Multiple Voting Shares and Non-Voting Shares are entitled, share for share, to receive, on a pro rata basis, such dividends as may be declared by the Board of Directors of the Company.

Rights on Dissolution

In the event of the liquidation, dissolution or winding up of the Company, the holders of Subordinate Voting Shares, Multiple Voting Shares and Non-Voting Shares will be entitled, share for share, to receive on a pro rata basis all of the assets of the Company remaining after payment of all of the Company's liabilities, subject to the preferential rights of any shares ranking prior to the Subordinate Voting Shares, Multiple Voting Shares or Non-Voting Shares.

Voting Rights

The holders of Subordinate Voting Shares and Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company and to attend and vote at such meetings, except those meetings where only the holders of shares of another class or of a particular series are entitled to vote. Subordinate Voting Shares carry one vote per share and Multiple Voting Shares carry 10 votes per share.

Except as required by law, the holders of Non-Voting Shares will not be entitled to vote at any meeting of Shareholders of the Company. However, the holders of Non-Voting Shares are entitled to receive notice of and to attend any meeting of shareholders of the Company.

Conversion

Multiple Voting Shares are convertible into Subordinate Voting Shares on a one for one basis at any time at the option of the holder. Multiple Voting Shares may only be transferred in accordance with the Voting Trust Agreement, which permits transfers of such shares only to certain persons who are already holders of Multiple Voting Shares.

Subordinate Voting Shares are convertible into Non-Voting Shares on a one for one basis at any time at the option of the holder.

The holders of Non-Voting Shares are entitled to convert such shares to Subordinate Voting Shares in the event of a takeover bid for the Subordinate Voting Shares that has not been made concurrently for the Non-Voting Shares with the result that the holders of Non-Voting Shares will enjoy the same take-over bid protections as afforded to the holders of the Subordinate Voting Shares. See "Take-over Bid Protection".

Equality

Except as described above, the Multiple Voting Shares, Subordinate Voting Shares and Non-Voting Shares are identical in all respects and no right may be conferred on the holders of the shares of any such class as such unless the same benefit is conferred on the holders of the shares of the other classes as such.

Modifications, Subdivisions and Consolidation

Modifications to the provisions attaching to the Multiple Voting Shares as a class or to the Subordinate Voting Shares as a class, require the separate affirmative votes of two-thirds of the votes cast at meetings of the holders of the shares of each class.

Modifications to the provisions attaching to the Non-Voting Shares as a class require the affirmative vote of two-thirds of the votes cast at a meeting of the holders of Non-Voting Shares

No subdivision or consolidation of the Multiple Voting Shares, the Subordinate Voting Shares or the Non-Voting Shares may take place unless the Subordinate Voting Shares, Multiple Voting Shares or Non-Voting Shares, as the case may be, are concurrently subdivided or consolidated in the same manner.

TAKE-OVER BID PROTECTION

The Company, the holders of the Multiple Voting Shares and certain other persons are parties to an agreement dated May 3, 1994 (the "Coattail Agreement") with CIBC Mellon Trust Company (formerly The R-M Trust Company) (the "Coattail Trustee") in order to provide the holders of Subordinate Voting Shares with specified rights in the event that a take-over bid having certain characteristics is made for the Multiple Voting Shares. A take-over bid, generally defined, is an offer to acquire outstanding equity or voting shares by an offeror, who after the bid, would own more than 20% of the shares of the class which is the subject of the bid. Under applicable securities law, and apart from the Coattail Agreement, an offer to purchase Multiple Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares.

The Coattail Agreement prevents the sale, directly or indirectly, of Multiple Voting Shares where the acquisition would be at a price per share in excess of 115% of the then current market price as determined under Ontario securities legislation. This prohibition would not apply if: (a) such sale is made pursuant to an offer to purchase Multiple Voting Shares made to all holders of Multiple Voting Shares and an offer identical in all material respects is made concurrently to purchase Subordinate Voting Shares, which identical offer has no condition attached other than the right not to take-up and pay for shares tendered if no shares are purchased pursuant to the offer for Multiple Voting Shares; or (b) there is a concurrent unconditional offer to purchase all of the Subordinate Voting Shares at a price per share at least as high as the highest price per share paid pursuant to the take-over bid for the Multiple Voting Shares.

The Coattail Agreement contains provisions for the authorization of action by the Coattail Trustee to enforce the relevant rights of the beneficiaries of the trust, including the holders of the Subordinate Voting Shares. The obligation of the Coattail Trustee to take such action will be conditional on the Company or the holders of the Subordinate Voting Shares, providing such funds and indemnity as the Coattail Trustee may require. No holder of Subordinate Voting Shares will have the right, other than through the Coattail Agreement, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the Coattail Trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares after provision of reasonable funds and indemnity to the Coattail Trustee.

The Coattail Agreement provides that it may not be amended, and no material provision may be waived, except with the approval of at least two-thirds of the votes cast by the holders of Subordinate Voting Shares present or represented at a meeting duly called for the purpose, which two-thirds majority must include a simple majority of the votes cast by holders of Subordinate Voting Shares excluding the holders of Multiple Voting Shares and their affiliates and any persons who have an agreement to purchase Multiple Voting Shares on terms which would constitute a sale for the purposes of the Coattail Agreement other than as permitted thereby, prior to giving effect to the amendment or waiver.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinate Voting Shares under applicable securities legislation

PLAN OF DISTRIBUTION

Pursuant to the terms of an underwriting agreement dated as of January 15, 1998 (the "Underwriting Agreement") among the Underwriters, the Company and the Selling Shareholders, the Company and the Selling Shareholders have agreed to sell, and the Underwriters have severally agreed to purchase, as principals, subject to compliance with all necessary legal requirements and to the terms and conditions contained therein, on February 4, 1998 or such other date not later than March 4, 1998 as may be agreed upon by the parties (the "Closing Date"), 1,235,000 Subordinate Voting Shares at an aggregate price of $33,962,500, payable against delivery of certificates representing the Subordinate Voting Shares.

The Selling Shareholders, the number of Subordinate Voting Shares to be sold by each of them, and the number of Subordinate Voting Shares held by each of them both before and after giving effect to the Offering are as set forth below:

Selling Shareholder[1]	Number of Shares to be Sold	Ownership of Subordinate Voting Shares Prior to Offering	Following Offering
1078959 Ontario Inc. (controlled by Michael Hirsh)	30,000	30,000[2]	0[2]
1078960 Ontario Inc. (controlled by Patrick Loubert)	10,000	10,000	0
Ho Ho Holdings Inc. (controlled by Clive Smith)	30,000	30,000	0

(1) Following the conversion of certain Multiple Voting Shares into Subordinate Voting Shares for the purpose of selling such shares in this offering, each of the Selling Shareholders also holds the following Multiple Voting Shares in the capital of the Company: 1078959 Ontario Inc. - 719,354 Multiple Voting Shares; 1078960 Ontario Inc. - 644,354 Multiple Voting Shares; and Ho Ho Holdings Inc. - 719,354 Multiple Voting Shares.

(2) Mr. Hirsh also holds 100 Subordinate Voting Shares through a registered retirement savings plan.

In consideration for their services in connection with this offering, the Company has agreed to pay the Underwriters a commission equal to $1.10 per Subordinate Voting Share sold, for an aggregate commission of $1,281,500. All commissions payable to the Underwriters by the Company will be paid out of its general funds. The Selling Shareholders have also agreed to pay the Underwriters a commission of $1.10 per Subordinate Voting Share sold by them, for an aggregate commission of $77,000, resulting in total commissions payable to the Underwriters of $1,358,500.

The Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Subordinate Voting Shares to be issued by the Company if any Subordinate Voting Shares are purchased under the Underwriting Agreement.

The Company has granted to the Underwriters an over-allotment option to acquire up to an aggregate of 185,250 additional Subordinate Voting Shares. If the Underwriters exercise such over-allotment option in full, the total price to the public will be $39,056,875, the Underwriters' fee will be $1,562,275 and the net proceeds to the Company will be $35,646,600. The Underwriters may exercise such option in whole or in part at any time within 30 days of the closing of this offering solely to cover over-allotments, if any. This prospectus also qualifies the distribution of the Subordinate Voting Shares issuable upon the exercise of the over-allotment option.

Each Underwriter has agreed that it will only offer the Subordinate Voting Shares in the United States to qualified institutional buyers in accordance with Rule 144A made under the United States Securities Act of 1933 (the "1933 Act"), and as permitted by the Underwriting Agreement.

The Subordinate Voting Shares have not been registered for distribution in the United States under the 1933 Act. Until 40 days after the commencement of the offering, an offer or sale of Subordinate Voting Shares within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act.

The Underwriters may not, throughout the period of distribution, bid for or purchase Subordinate Voting Shares of the Company. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange relating to market stabilization and passive marketing-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first-mentioned exception, in connection with this offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Subordinate Voting Shares of the Company at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank which is the principal lender to Nelvana. Such lender did not have any involvement in the Company's decision to issue and sell the Subordinate Voting Shares being offered by it.

Pursuant to the Underwriting Agreement the Company has agreed not to issue any additional Subordinate Voting Shares or securities convertible or exchangeable into Subordinate Voting Shares without the consent of the Underwriters, which may not be unreasonably withheld, during the period that commenced on January 15, 1998 and expires 90 days after the closing of this offering except for Subordinate Voting Shares issuable: (i) upon the exercise of options granted under the Company's share option plan; (ii) pursuant to any rights to acquire Subordinate Voting Shares outstanding on the date hereof; and (iii) as consideration in connection with an arm's-length purchase of a business or assets. The Selling Shareholders have also agreed not to sell any additional Subordinate Voting Shares during the same period without the consent of the Underwriters, which may not be unreasonably withheld.

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the Subordinate Voting Shares, after deducting Underwriters' fees and the portion of the expenses of the offering allocable to the Company but without giving effect to the exercise of the over-allotment option, will be approximately $30,473,000. Such proceeds will be used by the Company: (i) as to approximately $5 million, for capital expenditures (including the set-up costs and related hardware and software purchases for its new 3-D computer animation facility); and (ii) as to the balance, as working capital for general corporate purposes including interim funding of the Company's 1998 proprietary production slate. The Company may use a portion of the proceeds currently allocated for working capital to fund the possible acquisition of library assets and other related businesses, should appropriate opportunities arise.

RBC Dominion Securities Inc., one of the Underwriters, is a subsidiary of a Canadian chartered bank which is the principal lender to Nelvana. None of the proceeds of this offering will be applied for the benefit of any Underwriter or any related issuer of an Underwriter.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt, Toronto, and Lang Michener, Toronto, the Subordinate Voting Shares will not be precluded as investments, in each case subject to general investment provisions and in certain cases subject to general investment standards and the satisfaction of additional requirements relating to investment or lending policies, standards, procedures, or goals, under or by the following statutes and, where applicable, the relevant regulations:

Trust and Loan Companies Act (Canada)
Insurance Companies Act (Canada)
Pension Benefits Act (Ontario)

In the opinion of such counsel, the Subordinate Voting Shares if, as and when listed on a prescribed stock exchange, will be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds or deferred profit sharing plans.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon on behalf of the Company by Osler, Hoskin & Harcourt and on behalf of the Underwriters by Lang Michener, Toronto.

As of the date of this short form prospectus, the partners and associates as a group of each of Osler, Hoskin & Harcourt and Lang Michener beneficially own, directly or indirectly, less than 1% of any class of security of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are KPMG, Toronto. The transfer agent and registrar for the Subordinate Voting Shares is CIBC Mellon Trust Company at its principal offices in Toronto and Montreal.

STATUTORY RIGHTS OF WITHDRAWAL OR RESCISSION

Securities legislation in several of the Provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated January 19, 1998

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of each of the Provinces of Canada. For the purpose of the Province of Quebec, this short form prospectus, as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) Michael Hirsh Co-Chief Executive Officer	(Signed) Patrick Loubert Co-Chief Executive Officer	(Signed) Sally Moyer Kent Senior Vice-President, Finance and Chief Financial Officer

On behalf of the Board of Directors

(Signed) Michael Harrison Director	(Signed) T. Richard Davies Director

CERTIFICATE OF THE UNDERWRITERS

Dated January 19, 1998

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the each of the Provinces of Canada. For the purpose of the Province of Quebec, to our knowledge, this short form prospectus as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

By: (Signed) Neil M. Selfe

YORKTON SECURITIES INC.

By: (Signed) Nelson C. Smith

FIRST MARATHON SECURITIES LIMITED

By: (Signed) Michael P. Mackasey

DEACON CAPITAL CORPORATION

By: (Signed) Sarah B. Kavanagh

GRIFFITHS McBURNEY & PARTNERS

By: (Signed) Eugene C. McBurney

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

RBC Dominion Securities Inc.: a wholly-owned subsidiary of RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

Yorkton Securities Inc.: a wholly-owned subsidiary of Yorkton Holding Ltd.;

First Marathon Securities Limited: a wholly-owned subsidiary of First Marathon Inc.;

Deacon Capital Corporation: a wholly-owned subsidiary of Deacon Capital Holdings Limited; and

Griffiths McBurney & Partners: Bradley D. Griffiths, Eugene C. McBurney, Michael Wekerle, Kevin Sullivan and David B. Connacher.*

*Pending regulatory approval.