

ISEE3D INC.

**Financial Statements
(Unaudited)**

March 31, 2010

ISEE3D INC.
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ISEE3D INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ISEE3D INC.
BALANCE SHEET
(Unaudited)

As at March 31, 2010 and 2009

	March 31,	December 31,
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	\$ 1,944,571	\$ 2,069,807
Short-term investment (Note 6)	500,000	1,000,000
Sales tax and other receivables	117,950	89,441
Prepaid expenses	<u>67,666</u>	<u>28,048</u>
	2,630,187	3,187,296
Property and equipment (Note 7)	174,434	114,800
Intangible assets (Note 8)	<u>230,879</u>	<u>230,379</u>
TOTAL ASSETS	\$ <u>3,035,500</u>	\$ <u>3,532,475</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 189,315	\$ 230,250
Dividends payable	<u>7,917</u>	<u>7,917</u>
	<u>197,232</u>	<u>238,167</u>
Shareholders' deficiency		
Preferred shares (Note 9)	5,045	5,045
Common shares (Note 9)	28,641,111	28,479,427
Contributed surplus (Note 11)	1,070,582	895,779
Deficit	<u>(26,878,470)</u>	<u>(26,085,943)</u>
	<u>2,838,268</u>	<u>3,294,308</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ <u>3,035,500</u>	\$ <u>3,532,475</u>

ISEE3D INC.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

For the three months ended March 31, 2010 and 2009

	<u>Three months ended</u>	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>
EXPENSES		
Advertising and promotion	\$ 28,656	\$ -
Amortization of property and equipment	11,291	4,094
Amortization of intangible assets	5,500	-
Bank charges and interest	92	981
Consulting and management	126,288	185,316
Filing fees	9,661	5,825
General and administrative	55,317	16,702
Investor relations	41,423	-
Professional fees	71,180	24,711
Research and development	67,217	-
Stock based compensation	228,994	30,987
Travel	109,909	22,773
Wages and benefits	38,679	-
	<u>794,207</u>	<u>291,389</u>
LOSS BEFORE UNDERNOTED ITEMS	(794,207)	(291,389)
Interest income	<u>1,680</u>	<u>-</u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ <u><u>(792,527)</u></u>	\$ <u><u>(291,389)</u></u>
Basic and diluted loss per share	\$ <u><u>(0.02)</u></u>	\$ <u><u>(0.02)</u></u>
Weighted average number of shares outstanding for the period	<u><u>36,081,643</u></u>	<u><u>16,673,806</u></u>

ISEE3D INC.
STATEMENT OF DEFICIT
(Unaudited)

For the three months ended March 31, 2010 and 2009

	<u>Three months ended</u>	
	<u>March 31, 2010</u>	<u>March 31, 2009</u>
DEFICIT, beginning of period	\$ (26,085,943)	\$ (23,253,450)
Net loss for the period	<u>(792,527)</u>	<u>(291,389)</u>
DEFICIT, end of period	\$ <u><u>(26,878,470)</u></u>	\$ <u><u>(23,544,839)</u></u>

ISEE3D INC.
STATEMENT OF CASH FLOWS
(Unaudited)

For the three months ended March 31, 2010 and 2009

	Three months ended	
	March 31, 2010	March 31, 2009
OPERATING ACTIVITIES		
Net loss for the period	\$ (792,527)	\$ (291,389)
Add items not involving cash:		
Amortization of property and equipment	11,291	4,094
Amortization of intangible assets	5,500	-
Stock based compensation	228,994	30,987
Changes in non-cash working capital items		
Sales tax and other receivables	(28,509)	(6,222)
Prepaid expenses	(39,618)	7,952
Accounts payables and accrued liabilities	(30,935)	46,086
	<u>(645,804)</u>	<u>(208,492)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(70,925)	(12,540)
Capitalized patent costs	(6,000)	(3,760)
Redemption of term deposit	500,000	-
	<u>423,075</u>	<u>(16,300)</u>
FINANCING ACTIVITIES		
Shares issued from private placement	-	260,356
Subscriptions received from private placement	-	25,000
Proceeds from exercise of warrants	64,400	-
Proceeds from exercise of options	33,093	-
Share issue costs	-	(13,270)
	<u>97,493</u>	<u>272,086</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125,236)	47,294
CASH AND CASH EQUIVALENTS, beginning of period	<u>2,069,807</u>	<u>18,690</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,944,571</u>	<u>\$ 65,984</u>
SUPPLEMENTAL NON-CASH DISCLOSURE		
Shares issued for debt settlement	\$ 10,000	\$ -

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

1. Organization and Business Activities

ISEE3D Inc. (the Company) was formed by way of an amalgamation on October 15, 1997 between International Telepresence (Canada) Inc. a Company federally incorporated on September 14, 1994, and International Telepresence Corporation, a business incorporated in 1981 under the Business Corporations Act (British Columbia). On February 29, 2000, stockholders of the Company approved an amendment to the articles of the Company changing its name to ISEE3D Inc.

The Company owns a portfolio of patents, patent applications and specialized know how which are fundamental to providing a unique and cost effective means for the capture of broadcast quality stereoscopic (3D) images through a single lens. The Company's technology has broad applications in a great number of markets including the home entertainment industry, consumer electronics and imaging devices including microscopes, endoscopes and sophisticated medical imaging systems.

2. Basis of Presentation and Going Concern

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on future events including raising and maintaining adequate capital from either shareholders or outside lenders to finance future development activities. There is no certainty that these or other strategies will be sufficient to permit the Company to continue beyond March 31, 2010.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

3. Accounting Principles and Use of Estimates

The accompanying unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements dated December 31, 2009. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the three month period ended March 31, 2010 are stated utilizing the same accounting policies and the methods of application of those policies are consistent with those reflected in the Company's most recent annual financial statements, but these interim figures are not necessarily indicative of the results to be expected for the full year.

During the period, the Company added three categories to property and equipment which are being amortized as follows:

Automobile	30%	declining balance
Equipment	30%	declining balance
Leasehold Improvement	Straight line	over the term of the lease (3 years)

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

4. Recent Accounting Pronouncements

International financial reporting standards ("IFRS")

In addition to the above new accounting pronouncements, the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Determination of the key differences between IFRS and the Company's accounting policies is in progress with an evaluation of the main potential impact on its business practices, systems and internal controls over financial reporting.

5. Cash and cash equivalents

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 235,316	\$ 569,807
Funds in trust	209,255	-
Term deposit, maturing in April 2010, bearing interest at 0.25% per annum	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 1,944,571</u>	<u>\$ 2,069,807</u>

6. Short-term investment

The Company has invested in a one-year cashable term deposit maturing on March 1, 2011 and bearing interest at a rate of 0.30% per annum.

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

7. Property and Equipment

March 31, 2010			
	Cost	Accumulated amortization	Net book value
Computer Equipment	\$ 145,004	\$ 49,710	\$ 95,294
Office Furniture	20,688	9,792	10,896
Equipment	54,142	2,031	52,111
Automobile	7,865	295	7,570
Leasehold improvement	8,919	356	8,563
	<u>\$ 236,618</u>	<u>\$ 62,184</u>	<u>\$ 174,434</u>

December 31, 2009			
	Cost	Accumulated Amortization	Net Book Value
Computer Equipment	\$ 145,005	\$ 41,985	\$ 103,020
Office Furniture	20,688	8,908	11,780
	<u>\$ 165,693</u>	<u>\$ 50,893</u>	<u>\$ 114,800</u>

8. Intangible Assets

March 31, 2010			
	Cost	Accumulated amortization	Net book value
Intellectual property	\$ 220,000	\$ 15,156	\$ 204,844
PCT patent	26,035	-	26,035
	<u>\$ 246,035</u>	<u>\$ 15,156</u>	<u>\$ 230,879</u>

December 31, 2009			
	Cost	Accumulated Amortization	Net Book Value
Intellectual property	\$ 220,000	\$ 9,656	\$ 210,344
PCT patent	20,035	-	20,035
	<u>\$ 240,035</u>	<u>\$ 9,656</u>	<u>\$ 230,379</u>

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
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March 31, 2010 and 2009

9. Share Capital

a) **Authorized, issued and allotted**

Unlimited number of common shares, voting, without par value

Unlimited number of preferred shares, non-voting, issuable in series, convertible redeemable at the option of the Company, entitled to a cumulative dividend of 9% per annum.

b) **Series A 9% Preferred Shares**

The Series A preferred shares are entitled to a cumulative cash dividend of 9% per annum, payable in semi-annual installments on January 1 and July 1. The Company has 6 preferred shares issued and outstanding as at March 31, 2010.

As at March 31, 2010, the preferred shares had dividends declared but in arrears of \$7,917 (2009 - \$7,463). The Series A preferred shares are convertible at face value into common shares at a rate that approximates the Company's common share trading price immediately prior to the conversion.

c) **Changes in common shares were as follows:**

	Number of shares	Dollars
Balance, December 31, 2009	35,513,332	\$ 28,479,427
Issued for settlement of debt (i)	13,698	10,000
Issued for warrants exercised (ii)	822,000	92,356
Issued for options exercised (iii)	184,375	59,328
Balance, March 31, 2010	36,533,405	\$ 28,641,111

- i) On March 10, 2010, the Company settled a total of \$10,000 in outstanding debt through the issuance of 13,698 common shares at a deemed price of \$0.73 per share.
- ii) During the quarter, the Company issued 322,000 common shares at \$0.20 per share from the exercise of warrants for aggregate proceeds of \$92,356. The related portion, previously recorded in contributed surplus of \$27,956, was transferred to share capital. In addition, the Company issued 500,000 common shares at \$0.20 per share from the exercise of warrants for aggregate proceeds of \$100,000, which were received on December 22, 2009.
- iii) During the quarter, the Company issued 150,000 common shares at \$0.15 per share, 28,125 common shares at \$0.27 per share, and 6,250 common shares at \$0.48 per share, from the exercise of options for aggregate proceeds of \$33,093. The related portion, previously recorded in contributed surplus of \$26,235, was transferred to share capital. An amount of \$5,625 related to the exercise of the above options was not received until April 8, 2010 and is shown as a receivable.

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

9. Share Capital (continued)

d) Warrants Issued and Outstanding

A summary of the status of the Company's warrants as at March 31, 2010 and December 31, 2009 and the changes during the periods then ended is as follows:

	March 31, 2010		December 31, 2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	7,727,382	\$ 0.20	1,415,000	\$ 0.15
Issued with shares	-	-	8,766,535	0.20
Issued for share issuance costs	-	-	166,700	0.20
Warrants exercised	(322,000)	0.20	(2,389,403)	(0.18)
Warrants expired	-	-	<u>(231,450)</u>	<u>(0.15)</u>
Outstanding, end of period	<u>7,405,382</u>	<u>\$ 0.20</u>	<u>7,727,382</u>	<u>0.20</u>

10. Stock Based Compensation

The Company has adopted an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and other key personnel of the Company, options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five (5) years. The Board of Directors determines the price per Common Share and the number of options that may be allotted to each director, officer, employee or other key personnel of the Company and all other terms and conditions of the options granted under the Stock Option Plan.

On March 10, 2010, the Company granted 120,000 options to a former consultant at a price of \$0.53 per share for a period of five years. These options all vested on the date of signing. The fair value of the options granted was determined using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	2.26%
Volatility	133.60%
Expected life in years	5
Strike price	\$0.53
Grant date fair value	\$0.58

In the quarter ended March 31, 2010, the Company recorded total stock based compensation of \$228,994 (2009 - \$30,987), related to the vesting of 477,500 options.

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
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March 31, 2010 and 2009

10. Stock Based Compensation (Continued)

	<u>March 31, 2010</u>	March 31, 2009
Options granted to directors and officers	\$ 50,919	\$ 22,536
Options granted to consultants	<u>178,075</u>	8,451
	<u>\$ 228,994</u>	<u>\$ 30,987</u>

A summary of the status of the Company's stock options as of March 31, 2010 and December 31, 2009 and changes during the period then ended is as follows:

	<u>March 31, 2010</u>		December 31, 2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	2,918,125	\$ 0.31	1,375,000	\$ 0.15
Granted	120,000	0.53	2,110,000	0.37
Exercised	(184,375)	0.18	(266,875)	0.15
Expired	-	-	(112,500)	0.15
Cancelled	<u>(350,000)</u>	0.42	<u>(187,500)</u>	0.15
Outstanding, end of period	<u>2,503,750</u>	\$ 0.32	<u>2,918,125</u>	\$ 0.31

The following table summarizes the stock options outstanding and vested at March 31, 2010.

Exercise Price (\$)	Number of options outstanding	Weighted average remaining contractual life (years)
0.15	562,500	3.63
0.15	40,625	1.04
0.27	1,370,625	4.38
0.90	100,000	2.58
0.48	200,000	4.63
0.73	110,000	4.75
0.53	<u>120,000</u>	4.97
	<u>2,503,750</u>	4.15

Number of options exercisable at March 31, 2010 1,158,750

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
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March 31, 2010 and 2009

11. Contributed Surplus

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 895,779	\$ 495,448
Warrants issued under private placement	-	18,692
Warrants issued for finders fee	-	35,385
Stock based compensation	228,994	510,935
Transfer to share capital on exercise of warrants (Note 9)	(27,956)	(135,342)
Transfer to share capital on exercise of options (Note 9)	(26,235)	(29,339)
Balance, end of period	\$ 1,070,582	\$ 895,779

12. Transactions with Related Parties

During the quarter, the Company had transactions and balances with related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are summarized as follows:

	March 31, 2010	March 31, 2009
Consulting fees	\$ 114,000	\$ 47,000
Travel expenses	84,610	-
Debt settlement with officers	10,000	93,771
Balances due to directors		
- included in accounts payable subject to normal trade terms	61,483	63,578

13. Commitments

- a) On February 1, 2010, the Company entered into an independent consulting agreement with a company for software development services. Pursuant to the agreement, the Company is committed to pay \$7,500 per month for the duration of the consulting period. The Company increased the monthly fee to \$8,000 per month three months after the effective date of this agreement.
- b) On February 9, 2010, the Company entered into a contractual agreement with a vendor for the supply of prototypes of 3D cameras for an amount of \$35,000. As at March 31, 2010, the Company had paid \$15,000 toward this purchase order. This amount has been recorded as a prepaid expense.

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

13. Commitments (Continued)

- c) The Company is also obligated under four operating leases, one for a vehicle and three for office premises. These leases expire in April 2011 for the vehicle and in September 2010 and January 2013 respectively for two of the office premises. In addition, the Company entered into a 63-month lease agreement, commencing May 1, 2010 and expiring July 31, 2015, for office space in Toronto, Ontario. The minimum annual lease commitments for the Company are as follows,

2010	\$	91,363
2011		122,433
2012		120,030
2013		72,669
2014		68,800
2015		40,133

- d) On March 10, 2010, the Company announced that it intends to settle \$9,000 in outstanding indebtedness to an officer of the Company through the issuance of 16,981 common shares at a price of \$0.53 per share. The issuance of shares is subject to regulatory approval which has not yet been received.
- e) On March 23, 2010, the Company entered into an agreement with a company to purchase a 3D display system. The purchase price is \$200,000, which will be settled through the issuance of common shares of the Company at a deemed price of \$0.49 per share. On April 27, 2010, the TSX Venture Exchange accepted filing documentation relating to the equipment purchase agreement.

14. Capital Management

The Company's objectives when managing capital are to maintain a strong capital base in order to advance the Company's corporate strategies to create long term value for its stake holders and sustain the Company's operations in economic cycles.

The Company defines capital to include cash and cash equivalents, short-term investments and shareholders' equity. The Company manages its capital in order to maintain flexibility and respond to changes in economic and/or marketplace conditions. In order to increase shareholder value, the Company may adjust its capital structure by issuing new shares, purchasing shares for cancellation or raising debt.

For the period ending March 31, 2010, the Company has not distributed dividends to its shareholders. There were no changes in the Company's approach to capital management during the period ended on March 31, 2010.

ISEE3D INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

March 31, 2010 and 2009

15. Financial Instruments

	March 31, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Held for trading				
Cash and cash equivalents	\$ 1,944,571	\$ 1,944,571	\$ 2,069,807	\$ 2,069,807
Term deposits	500,000	500,000	1,000,000	1,000,000
Loans and receivables				
Sales tax and other receivables	117,950	117,950	89,441	89,441
Other financial liabilities				
Accounts payable and accrued liabilities	189,315	189,315	230,250	230,250

Fair Value

Cash and cash equivalents, short-term investments, sales tax and other receivables, and accounts payable and accrued liabilities are short-term financial instruments whose fair value approximated the carrying amount given the immediate or short-term maturity of these financial instruments. In calculating the fair values, the Company has determined that all its financial instruments are at level 1 in the fair value hierarchy.

Risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

a) Interest rate risk

Interest rate risk is the risk borne by interest-bearing assets due to variability of interest rates. Short-term investments are invested in separate term deposits with varying maturities and variable interest rate exposing the Company to interest rate risk on these financial instruments.

b) Credit Risk

The Company is exposed to credit risk through its cash and cash equivalents. Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash and cash equivalents are maintained with a high quality financial institution. The carrying amount of cash and cash equivalents represents the Company's maximum credit exposure.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company currently settles its financial obligations out of cash and cash equivalents and short-term investments. At March 31, 2010, the Company has approximately \$2,630,104 (2009 - \$3,187,296) of assets to settle approximately \$189,351 (2009 - \$230,250) of current liabilities. The Company manages its liquidity risk by continuously monitoring cash flows and through the regular distribution of this information to the Board of Directors and the Audit Committee.

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NOTES TO FINANCIAL STATEMENTS
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16. Subsequent Events

- a) On April 6, 2010, the company entered into a contractual agreement with another company to perform a "Ground-Up" analysis of the markets for industrial and quality control applications of the ISee3D's 3D video technology for the amount \$5,000. The report will be produced within 6 weeks of starting the project.
- b) On April 20, 2010, the Company entered into consulting agreements with officers of the company. Pursuant these agreements; the Company is committed to pay \$20,500 in cash and \$5,000 in shares per month. The officers are entitled to signing bonus of cash and options. The consultants are also to be granted additional option allocations annually from the date of the first issuance, at prices determined at the date of issuance based upon the fair market value of stock at that date, subject to Board approval.
- c) On April 22, 2010, the Company entered into a 6 month contractual agreement with another corporation for marketing expertise, and to create M&A Strategic Opportunities as well as business alliance for the Company in Montreal and New York City for the amount of \$12,500 per month.
- d) On April 23, 2010, the Company entered into a strategic partnership with another corporation for technical feasibility, market research, product specification, and business planning consulting services. Phase I of this project will encompass approximately 16 weeks of consulting work at a maximum total of US\$105,000. The Company may choose to pursue Phase II and /or Phase III of this project.
- e) On April 23, 2010, the Company entered into a contractual agreement with a vendor for the design and fabrication of an optical relay for an amount of \$104,500. The Company is committed to making installment payments towards this purchase order as various milestones are achieved by the vendor.
- f) The Company entered into a lease agreement, commencing May 1, 2010, for office space in Toronto, Ontario (Note 13).
- g) On May 4, 2010, the Company announced its intention to grant options to purchase an aggregate of up to 650,000 common shares at a price of \$0.45 per share, exercisable for a period of five years, to certain directors, officers, and consultants of the Company. The issuance of the options is subject to regulatory approval.
- h) On May 7, 2010, the Company entered into a contractual agreement with another corporation to generate non-equity licensing of the Company's technology in advanced health care and medical applications worldwide for the amount of \$5,000 per month.