

ISEE3D INC.

**Financial Statements
(unaudited)**

March 31, 2009

Balance Sheet

Statement of Loss

Statement of Deficit

Statement of Cash Flows

Notes to Financial Statements

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 consolidated 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

As At March 31, 2009 and December 31, 2008

	March 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash	\$ 65,984	\$ 18,690
Sales tax and other receivables	17,018	10,796
Prepaid expenses	5,000	12,952
	<u>88,002</u>	<u>42,438</u>
Property and equipment (Note 3)	56,764	48,318
Other assets	<u>3,760</u>	<u>-</u>
TOTAL ASSETS	\$ <u>148,526</u>	\$ <u>90,756</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 301,101	\$ 255,015
Dividend payable	7,463	7,463
	<u>308,564</u>	<u>262,478</u>
TOTAL LIABILITIES	<u>308,564</u>	<u>262,478</u>
Shareholders' deficiency		
Preferred shares (Note 4)	5,045	5,045
Common shares (Note 4)	22,772,112	22,581,235
Private placement subscription (Note 4)	25,000	-
Contributed surplus (Note 6)	582,644	495,448
Deficit	<u>(23,544,839)</u>	<u>(23,253,450)</u>
	<u>(160,039)</u>	<u>(171,722)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ <u>148,526</u>	\$ <u>90,756</u>

See accompanying notes.

ISEE3D INC.
STATEMENT OF LOSS

For the three months ended March 31, 2009 and 2008

	Three Months Ended	
	March 31, 2009	March 31, 2008
EXPENSES		
Consulting and management	185,316	20,502
General and administrative	16,702	17,951
Amortization	4,094	3,583
Bank charges and interest	981	135
Filing fees	5,825	5,758
Interest	-	10,516
Professional fees	24,711	-
Stock based compensation (note 5)	30,987	-
Travel	22,773	8,419
	<u>291,389</u>	<u>66,864</u>
LOSS BEFORE UNDERNOTED ITEMS	<u>(291,389)</u>	<u>(66,864)</u>
Gain on settlement of debts	-	(42,633)
Reactivation expenses	-	82,893
	<u>-</u>	<u>40,260</u>
NET LOSS FOR THE PERIOD	<u>(291,389)</u>	<u>(107,124)</u>
Basic and diluted loss per share	<u>(0.02)</u>	<u>(0.01)</u>
Weighted average number of shares outstanding for the year	<u>\$ 16,673,806</u>	<u>\$ 7,900,048</u>

See accompanying notes.

ISEE3D INC.
STATEMENT OF DEFICIT

For the three months ended March 31, 2009 and 2008

	Three Months Ended	
	March 31, 2009	March 31, 2008
DEFICIT, BEGINNING OF PERIOD	\$ (23,253,450)	\$ (22,514,900)
Net loss for the period	<u>(291,389)</u>	<u>(107,124)</u>
DEFICIT, END OF PERIOD	\$ <u><u>(23,544,839)</u></u>	\$ <u><u>(22,622,024)</u></u>

See accompanying notes.

ISEE3D INC.
STATEMENT OF CASH FLOWS
(Unaudited)

For the three months ended March 31, 2009 and 2008

	Three Months Ended	
	March 31, 2009	March 31, 2008
OPERATING ACTIVITIES		
Net loss for the period	\$ (291,389)	\$ (107,124)
Add items not involving cash:		
Amortization of property, plant and equipment	4,094	3,583
Stock based compensation	30,987	-
Changes in non-cash working capital items		
Sales taxes receivable	(6,222)	7,672
Prepaid expenses and deposits	7,952	1,250
Accounts payables and accrued liabilities	46,086	15,942
	<u>(208,492)</u>	<u>(78,677)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(12,540)	-
Intellectual property	(3,760)	-
	<u>(16,300)</u>	<u>-</u>
FINANCING ACTIVITIES		
Shares issued for cash	260,356	-
Private placement subscriptions	25,000	-
Share issue costs	(13,270)	-
Proceeds from shares for debt settlement	-	30,000
Proceeds from credit facility	-	56,000
	<u>272,086</u>	<u>86,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS	47,294	7,323
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>18,690</u>	<u>3,586</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 65,984</u>	<u>\$ 10,909</u>
Supplementary disclosure of cash flow information		
Cash paid for interest	\$ 981	\$ 2,101

See accompanying notes.

ISEE3D, INC.
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009 and 2008

Note 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 application in a great number of markets including the home entertainment industry, consumer electronics and imaging devices including microscopes, endoscopes and sophisticated medical imaging systems.

Note 2 Basis of Presentation – going concern

These financial statements are prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because of the Company' historical losses, negative cash flows from operations and working capital and net assets deficiency. At March 31, 2009 and 2008, the Company's committed cash obligations and expected level of expenses for the upcoming twelve months exceed the Company's cash on hand.

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 and other strategies will be sufficient to permit the Company to continue beyond March 31, 2009.

These financial statements do not reflect adjustments that would be necessary of 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 revenues and expenses and the balance sheet classifications used.

Note 3

Property and Equipment

	2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Computer Equipment	\$ 62,277	\$ 21,079	\$ 41,198
Office Furniture	<u>20,688</u>	<u>5,122</u>	<u>15,566</u>
	<u>\$ 82,965</u>	<u>\$ 26,201</u>	<u>\$ 56,764</u>
	2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Computer Equipment	\$ 49,737	\$ 18,247	\$ 31,490
Office Furniture	<u>20,688</u>	<u>3,860</u>	<u>16,828</u>
	<u>\$ 70,425</u>	<u>\$ 22,107</u>	<u>\$ 48,318</u>

Note 4 Share Capitala) *Authorized:*

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.

As at March 31, 2009, the preferred shares had dividends declared but in arrears of \$7,463 (2008 - \$7,009). 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 and Series A preferred shares were as follows:

	Common Shares		Series A Preferred Shares	
	Number	Dollars	Number	Dollars
Balance, January 1, 2009	16,406,939	\$ 22,581,235	6	5,045
Issued for cash – private placement (i)	633,000	94,950	-	-
Issued for cash – private placement (ii)	1,102,706	165,406	-	-
Issued for finder's fee	51,800	7,770	-	-
Less: Share issuance costs	-	(77,249)		
Balance, March 31, 2009	18,194,445	\$ 22,772,112	6	\$ 5,045

Period -ended March 31, 2009:

- i) On March 4, 2009, the Company closed a private placement by issuing 633,000 units at \$0.15 per share for gross proceeds of \$ 94,950. The Company paid a finder's fee of \$4,500. Each unit consists of one common share and one-half of one share purchase warrant. One full warrant entitles the holder to acquire one additional common share at \$0.20 per share for a period of six months from the date of the issuance
- ii) On March 25, 2009, the Company closed a private placement by issuing 1,102,706 common shares at \$0.15 per share for gross proceeds of \$ 165,406. Each unit consists of one common share and one-half of one share purchase warrant. One full warrant entitles the holder to acquire one additional common share at \$0.20 per share for six months from the date of the issuance. The Company recorded finder's fee of \$7,770 and issued an aggregate of 51,800 finder's shares at a deemed price of \$0.15 per share in connection with monies raised under this private placement.

During the period, the Company issued a total of 1,787,506 shares for gross proceeds of \$268,126. In conjunction with this financing, the Company paid \$13,270 in cash, issued 51,800 shares valued at \$7,770 to the finder and issued 867,854 share purchase warrant valued at \$56,209 for total share issuance costs of \$77,249 with respect to the private placement.

The Company has received a total of \$25,000 in respect of a further private placement of common stock. These shares were not issued as at March 31, 2009 and this amount is reported as private placement subscriptions within stockholders' deficit.

d) Warrants Issued and Outstanding

During the period, the Company issued warrants in conjunction with common shares for private placements (note 4 c i, ii). The warrants issued and outstanding as at March 31, 2009 are as follows:

	2009		2008	
	Number	Weighted Average Exercise Price (\$)	Number	Weighted Average Exercise Price (\$)
Outstanding, beginning of period	1,415,000	0.15	1,774,000	0.47
Issued with shares	867,854	0.20	-	-
Outstanding, end of period	2,282,854	0.17	1,774,000	0.47

During the three months ended March 31, 2009 the company issued 867,854 warrants at a fair market valuation of \$56,209. The fair value of warrants issued in conjunction with the shares during the period were determined using the Black Scholes pricing model using the following assumptions:

	2009
Risk-free interest rate	0.63%
Volatility	192.00%
Expected life in years	0.5
Strike price	\$ 0.20
Grant date fair value	\$ 0.647

Note 5 Stock Based Compensation

Stock Option Plan

The Company has adopted an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and other key personnel of the Corporation, 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 Common Shares that may be allotted to each director, officer, employee and other key personnel of the Corporation and all other terms and conditions of the options granted under the Stock Option Plan.

On November 19, 2008, the Company granted options to directors and officers of the Company to purchase an aggregate of up to 1,375,000 common shares at a price of \$0.15 per share, exercisable for a period of five years. The options vest over a period of 24 months in eight equal installments with one-eighth of the options vesting on the effective date, and each additional one-eighth of the options vesting quarterly thereafter.

In the period ended March 31, 2009, the Company recorded total stock-based compensation of \$30,987, related to the vesting of the 171,875 options.

The fair value of the options granted were determined using the Black and Scholes option pricing model using the following weight average assumptions:

Risk-free interest rate	1.50%
Expected volatility	210%
Expected life in years	5 years
Dividend yield	0%
Grant date fair value	\$0.088

Note 5 Stock Based Compensation (Continued)

Stock Option Plan (Continued)

Common share purchase options outstanding, exercisable and granted to directors and officers of the Company are summarized as follows:

<u>Number of Options Outstanding</u>	<u>Number of Options Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,375,000	343,750	\$0.15	November 2013

Changes in outstanding options were as follows:

	Three months ended March 31 2009		Three months ended March 31 2008	
	Common shares	Weighted average exercise price	Common shares	Weighted average exercise price
Outstanding, beginning of period	1,375,000	\$ 0.15	33,334	\$ 1.50
Cancelled	-	-	33,334	\$ 1.50
Granted	-	-	-	-
Outstanding, end of period	1,375,000	\$ 0.15	-	-
Amount exercisable	343,750	\$ 0.15	-	-

On February 25, 2008, the Company cancelled the 33,334 incentive stock options previously issued to directors, officers and employees of the company.

Note 6 Contributed Surplus

Changes in contributed surplus were as follows:

	2009	2008
Balance, beginning of period	495,448	332,390
Warrants issued with unit offerings	56,209	-
Stock based compensation – see note 5	30,987	-
Balance, end of period	582,644	332,390

Note 7 Transactions with Related Parties

The financial results for the period ended March 31, 2009 include the following Related Party Transactions;

- a) Amounts paid or accrued to directors or former directors of the Company, and companies with directors or former directors in common or in which a director is a partner or associate are as follows:

	2009	2008
Consulting fees	\$ 47,000	\$ 7,500
Interest on notes payable	-	4,500
Reactivation expenses – former director	-	60,000
	<u>\$ 47,000</u>	<u>\$ 72,000</u>

- b) Included in accounts payable and accrued liabilities as at March 31, 2009 is \$70,669 (2008: \$5,000) due to the CEO & Director and a Company controlled by the CEO and Director of the Company. In addition included in accounts payable at March 31, 2009 was \$17,878 (2008 – nil) due to the CTO & Director of the Company.

Note 8 Commitments

The company is obligated under operating leases for office premises and for a vehicle which expire in November 2009 and April 2011 respectively. Annual lease commitments are as follows:

2009	\$ 18,908
2010	7,805
2011	<u>2,602</u>
	<u>\$ 29,212</u>

Note 9 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, long term debt and shareholder's 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. At this time, the Company utilizes debt as part of its capital management strategy. For the three months ending March 31, 2009, the Company has not distributed dividends to its shareholders. There were no changes in the Company's approach to capital management during the period ending on March 31, 2009.

Note 10 Financial Instruments

Fair value

Cash, receivables and accounts payable and accrued liabilities are all short term in nature and as such, their carrying values approximate fair values.

Liquidity risk

The Company's approach to managing liquating risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2009, the Company has approximately \$95,953 of current assets to settle approximately \$308,564 of current liabilities. The Company is closely monitoring the situation and will adjust its capital as needed to meet its obligations.

Note 11 Segment Disclosure

The Company currently has operating activities only in Canada and does not have any segmented information.

Note 12 Comparative Figures

Some prior year's comparative figures have been restated in order to conform to current year presentation.

Note 13 Subsequent Events

- a) On April 1, 2009 the Company issued a further 75,000 options to acquire common stock of the Company to the Chief Financial Officer of the Company, pursuant to the employee and director stock option plan. Those options have a strike price of \$0.15 per share and a term of two years.
- b) In April and May 2009, certain warrant holders exercised 150,000 warrants to acquire common shares at a price of \$0.15 per share, aggregating proceeds of \$22,500 paid into the Company.

- c) On May 7, 2009 the Company entered into a settlement agreement with Gestion Genistar for the payment by the Company of \$45,000. Gestion had previously filed for \$81,950 representing unpaid fees and various expenses incurred on behalf of the Company. In response the Company made a cross claim for \$500,000 for damages. All amounts have been settled by payment of the \$45,000.
- d) On May 12, 2009 the Company closed a private placement for the issuance of 2,685,017 units at \$0.15 per unit, for aggregate proceeds of \$402,752. Each unit is comprised of one share and one share purchase warrant entitling the purchaser to acquire a second share at a strike price of \$0.20 for a period of two years from the completion date of the financing.
- e) On May 21, 2009, a Director of the Company resigned. The Company has agreed to a fee aggregating \$50,000 to be paid to the Director by installments of \$20,000 on June 30, 2009, \$15,000 on July 31, 2009 and \$15,000 on August 31, 2009.