

ISEE3D INC.

**Financial Statements
(unaudited)**

September 30, 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
(Unaudited)

As At September 30, 2009 and December 31, 2008

	September 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash	\$ 407,127	\$ 18,690
Sales tax and other receivables	68,953	10,796
Prepaid expenses	4,131	12,952
	<u>480,211</u>	<u>42,438</u>
Property, plant and equipment (Note 5)	114,125	48,318
Intangible assets (Note 6)	<u>280,035</u>	<u>-</u>
TOTAL ASSETS	\$ <u>874,371</u>	\$ <u>90,756</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 68,639	\$ 255,015
Dividend payable	7,690	7,463
	<u>76,329</u>	<u>262,478</u>
Shareholders' deficiency		
Preferred shares (Note 7)	5,045	5,045
Common shares (Note 7)	24,737,306	22,581,235
Contributed surplus (Note 9)	701,278	495,448
Deficit	<u>(24,645,587)</u>	<u>(23,253,450)</u>
	<u>798,042</u>	<u>(171,722)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ <u>874,371</u>	\$ <u>90,756</u>

The accompanying notes are an integral part of these financial statements.

ISEE3D INC.
STATEMENT OF LOSS
(Unaudited)

For the Three Months and Nine Months Ended September 30, 2009 and 2008

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
REVENUE	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Amortization	3,120	4,210	13,171	12,631
Bank charges and interest	248	2,228	3,234	38,186
Consulting and management	81,025	22,061	378,716	111,703
Filing fees	17,484	3,828	59,952	34,061
General and administrative	39,200	36,375	93,284	73,571
Investor relations	39,300	-	61,212	-
Professional fees	41,054	3,305	122,564	3,305
Reactivation expenses	-	19,400	-	63,249
Research and development	92,000	-	315,185	-
Stock based compensation	127,833	-	170,445	-
Travel	25,915	20,324	89,981	65,911
	467,179	111,731	1,307,744	402,617
LOSS BEFORE UNDERNOTED ITEMS	(467,179)	(111,731)	(1,307,744)	(402,617)
Gain (loss) on settlement of debts	(84,166)	20,500	(84,166)	63,132
NET LOSS FOR THE PERIOD	(551,345)	(91,231)	(1,391,910)	(339,485)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.03)
Weighted average number of shares outstanding for the period	29,475,641	14,473,602	22,119,357	10,525,260

The accompanying notes are an integral part of these financial statements.

ISEE3D INC.
STATEMENT OF DEFICIT
(Unaudited)

For the Three Months and Nine Months Ended September 30, 2009 and 2008

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>	<u>September 30,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
DEFICIT, BEGINNING OF PERIOD	\$ (24,094,242)	\$ (22,763,381)	\$ (23,253,450)	\$ (22,514,900)
NET LOSS FOR THE PERIOD	(551,345)	(91,231)	(1,391,910)	(339,485)
DIVIDEND ON PREFERRED SHARES	<u>-</u>	<u>(114)</u>	<u>(227)</u>	<u>(341)</u>
DEFICIT, END OF PERIOD	\$ <u>(24,645,587)</u>	\$ <u>(22,854,726)</u>	\$ <u>(24,645,587)</u>	\$ <u>(22,854,726)</u>

The accompanying notes are an integral part of these financial statements.

ISEE3D INC.
STATEMENT OF CASH FLOWS
(Unaudited)

For the Three Months and Nine Months Ended September 30, 2009 and 2008

	Three Months Ended		Nine Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
OPERATING ACTIVITIES				
Net loss for the period	(551,345)	(91,231)	(1,391,910)	(339,485)
Add items not involving cash:				
Amortization of property, plant and equipment	3,120	4,210	13,171	12,631
Stock based compensation	127,833	-	170,445	-
Loss on settlement of debt	84,166	-	84,166	-
Changes in non-cash working capital items				
Sales taxes receivable	23,972	(2,025)	(58,157)	1,066
Prepaid expenses and deposits	4,519	(15,905)	8,821	(14,655)
Accounts payables and accrued liabilities	(145,316)	(9,233)	(186,376)	(313,817)
	<u>(453,051)</u>	<u>(114,184)</u>	<u>(1,359,840)</u>	<u>(654,260)</u>
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(41,596)	-	(78,978)	(16,726)
Acquisition of intangible assets	(270,938)	-	(280,035)	-
	<u>(312,534)</u>	<u>-</u>	<u>(359,013)</u>	<u>(16,726)</u>
FINANCING ACTIVITIES				
Shares issued for debt	15,000	-	131,984	-
Shares issued for cash	-	-	1,445,159	-
Shares issued for acquisition of intangible assets	260,000	-	260,000	-
Proceeds from exercise of warrants	173,570	268,537	351,103	811,624
Proceeds from exercise of options	26,250	-	26,250	-
Share issue costs	-	-	(107,206)	-
	<u>474,820</u>	<u>268,537</u>	<u>2,107,290</u>	<u>811,624</u>
INCREASE (DECREASE) IN CASH	(290,765)	154,353	388,437	140,638
CASH, BEGINNING OF THE PERIOD	<u>697,892</u>	<u>2,294</u>	<u>18,690</u>	<u>16,009</u>
CASH, END OF THE PERIOD	<u><u>407,127</u></u>	<u><u>156,647</u></u>	<u><u>407,127</u></u>	<u><u>156,647</u></u>

The accompanying notes are an integral part of these financial statements.

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

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.

During this quarter, the Company issued 1,000,000 common shares at a deemed price of \$0.22 per share to acquire a series of patent applications and proposed patent applications from a company owned and controlled by a director of the Company.

2. Basis of Presentation and Going Concern

These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

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 September 30, 2009.

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 revenues and expenses and the balance sheet classifications used.

The interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada. They do not include all information and disclosures required for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2008.

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2008 and have been consistently followed in the preparation of these interim consolidated financial statements.

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

3. Changes in Accounting Policies

Intangible assets

Intangible assets represent intellectual property with a finite life and trademarks acquired from a related party. The intangible assets are recorded as described in Note 6 and are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of these assets may not be recoverable.

The Company has adopted the new standard *Goodwill and Intangible Assets* (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*.

Impairment of long-lived assets

Long-lived assets, including equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows and impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

4. Recent Accounting Pronouncements

a) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

The Company does not anticipate the adoption of the above standards will have a significant impact on the Company's financial statements.

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

4. Recent Accounting Pronouncements (continued)

b) 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 February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. Property, Plant and Equipment

			<u>2009</u>	<u>2008</u>
	Cost	Accumulated Amortization	Net Book Value	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Computer Equipment	\$ 128,715	\$ 28,893	\$ 99,822	\$ 31,490
Office Furniture	<u>20,688</u>	<u>6,385</u>	<u>14,303</u>	<u>16,828</u>
	<u>\$ 149,403</u>	<u>\$ 35,278</u>	<u>\$ 114,125</u>	<u>\$ 48,318</u>

6. Intangible Assets

For the nine month period ended September 30, 2009, the Company has incurred professional fees related to patent applications. The Company expects to receive future economic benefits that are attributable to the asset.

During this quarter, the Company issued 1,000,000 common shares valued at \$260,000 to acquire a series of patent applications and proposed patent applications from a company owned and controlled by a director of the Company.

7. 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.

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

7. Share Capital (Continued)

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 September 30, 2009, the preferred shares had dividends declared but in arrears of \$7,690 (2008 - \$7,236). 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 finders' fee	51,800	7,770		
Less: Share issuance costs	-	(77,249)		
Balance, March 31, 2009	18,194,445	\$ 22,772,112	6	\$ 5,045
Issued for cash - private placement (iii)	2,685,017	402,753		
Issued for finder's share (iii)	64,640	10,342		
Issued for cash - private placement (iv)	5,213,667	782,050		
Issued for finder's share (iv)	349,732	97,925		
Issued for warrants exercised (v)	1,183,550	177,533		
Less: Share issuance costs	-	(181,379)		
Balance, June 30, 2009	27,691,051	\$ 24,061,336	6	\$ 5,045
Issued for settlement of debt (vi)	779,895	194,974		
Issued for finder's share (vii)	60,000	14,400		
Issued for debt settlement (viii)	88,234	21,176		
Issued for option exercised (ix)	175,000	26,250		
Issued for acquisition of intangible assets (x)	1,000,000	260,000		
Issued for warrants exercised (xi)	867,849	173,570		
Less: Share issuance costs	-	(14,400)		
Balance, September 30, 2009	30,662,029	\$ 24,737,306	6	\$ 5,045

- i) On March 4, 2009, the Company closed a private placement by issuing 633,000 units at \$0.15 per unit 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 issuance

ISEE3D INC.

Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

7. Share Capital (Continued)

- ii) On March 25, 2009, the Company closed a private placement by issuing 1,102,706 units 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 a period of six months from the date of issuance. The Company paid a 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.
- iii) On May 12, 2009, the Company closed a private placement by issuing 2,685,017 units at \$0.15 per unit for gross proceeds of \$402,752.50. Each unit consists of one common share and one share purchase warrant. One full warrant entitles the holder to acquire one additional common share at \$0.20 for a period of twenty-four months from the date of issuance. In connection with monies raised under this private placement, the Company paid aggregate finder's fees of \$18,969 and issued an aggregate of 64,640 finder's shares at a deemed price of \$0.15 per share.
- iv) On June 29, 2009, the Company closed a private placement by issuing 5,213,665 units at \$0.15 per unit for gross proceeds of \$782,049.75. Each unit consists of one common share and one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$0.20 per share for a period of twenty-four months from the date of issuance. In connection with monies raised under this private placement, the company paid an aggregate finder's fee of \$27,445 and issued an aggregate of 349,732 finder's shares at a deemed price of \$0.15 per share and 166,700 finder's warrants entitling the holder to acquire one additional common share of the Company at \$0.20 per share for a period of twenty-four months from the date of issuance.
- v) During the quarter ended June 30, 2009, the Company issued 1,183,550 common shares at \$0.15 per share from the exercise of warrants for aggregate proceeds of \$177,533.
- vi) On July 10, 2009, the Company settled a total of \$116,984 in outstanding debt through the issuance of 779,894 shares at a deemed price of \$0.15 per share.
- vii) On July 24, 2009, the Company issued an additional 60,000 finder's shares valued at \$14,400 in connection with monies raised under the private placement closed on May 12, 2009 (note 7 iii).
- viii) On July 24, 2009, the Company settled a total of \$15,000 in outstanding debt through the issuance of 88,235 shares at a deemed price of \$0.17 per share to an officer of the Company.
- ix) During the quarter ended September 30, 2009, the Company issued 175,000 common shares at \$0.15 per share from the exercise of options for proceeds of \$26,250.
- x) On August 25, 2009, the Company issued 1,000,000 common shares at a deemed price of \$0.22 per share to acquire a series of patent applications and proposed patent applications from a company owned and controlled by an officer and director of the Company. These shares are subject to a hold period of four months and one day from the date of issuance. In addition, these shares will be escrowed and released as follows; 400,000 shares upon the expiry of the hold period and a further 75,000 shares per month thereafter over a period of eight months.
- xi) During the quarter ended September 30, 2009, the Company issued 867,851 common shares at \$0.20 per share from the exercise of warrants for aggregate proceeds of \$173,570.

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

7. Share Capital (Continued)

d) Warrants Issued and Outstanding

Warrants issued and outstanding as at September 30, 2009 are as follows:

	2009	
	Number of warrants	Weighted Average Exercise Price (\$)
Outstanding, beginning of period	1,415,000	0.15
Issued with shares	8,766,535	0.20
Issued for share issue costs	166,700	0.20
Warrants exercised	(1,183,550)	(0.15)
Warrants exercised	(867,851)	(0.20)
Warrants expired	(231,450)	(0.15)
Outstanding, end of period	8,065,384	0.20

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

Risk-free interest rate	1.50%
Expected volatility	210%
Expected life in years	5 years
Strike price	\$ 0.15
Grant date fair value	\$ 0.088

On April 17, 2009, the Company granted options to an officer of the Company to purchase 75,000 common shares at a price of \$0.15 per share, exercisable for a period of two years. The options vest over twenty-four 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. The fair value of the options granted were determined using the Black and Scholes option pricing model using the following weighted average assumptions:

ISEE3D INC.
Notes to Financial Statements (Unaudited)

September 30, 2009 and 2008

8. Stock Based Compensation (Continued)

Risk-free interest rate	0.25%
Volatility	172.59%
Expected life in years	2 years
Strike price	\$ 0.15
Grant date fair value	\$ 0.16

On August 14, 2009, the Company granted options to directors, officers, employees and consultants of the Company to purchase an aggregate of up to 1,475,000 common shares at a price of \$0.27 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. The fair value of the options granted were determined using the Black and Scholes option pricing model using the following weighted average assumptions:

Risk-free interest rate	0.24%
Volatility	171.34%
Expected life in years	5 years
Strike price	\$ 0.27
Grant date fair value	\$ 0.27

In the nine-month period ended September 30, 2009, the Company recorded total stock-based compensation of \$170,445, related to the vesting of 1,580,228 options.

As of September 30, 2009, the following stock options are outstanding:

	Number	Weighted average exercise price	Expiry Date
Outstanding, beginning of period	1,375,000	\$ 0.15	November 19, 2013
Granted	75,000	\$ 0.15	April 17, 2011
Granted	1,475,000	\$ 0.27	August 14, 2014
Exercised	(175,000)	\$ 0.15	
Expired	(112,500)	\$ 0.15	
Cancelled	(187,500)	\$ 0.15	
Outstanding, end of period	<u>2,450,000</u>	<u>\$ 0.22</u>	
Amount exercisable	778,125		

ISEE3D INC.
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September 30, 2009 and 2008

9. Contributed Surplus

Changes in contributed surplus were as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of period	\$ 495,448	\$ 332,390
Warrants issued for finders fee	35,385	-
Stock based compensation	170,445	-
Warrants issued with debt settlement	-	130,579
Balance, end of period	<u>\$ 701,278</u>	<u>\$ 462,969</u>

10. Transactions with Related Parties

The financial results for the nine-month period ended September 30, 2009 include the following Related Party Transactions;

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

	<u>2009</u>	<u>2008</u>
Consulting fees	\$ 299,548	\$ 46,262
Interest on notes payable	-	16,517
	<u>\$ 299,548</u>	<u>\$ 62,779</u>

- b) Included in accounts payable and accrued liabilities as of September 30, 2009 are \$15,000 (2008-nil) due to the CFO of the Company.
- c) On March 25, 2009, the Company entered into a consulting agreement with a company controlled by the CFO of the Company, requiring the payment of \$1,000 per month in cash and \$5,000 per month in shares of the Company. On June 1, 2009, the Company signed an amending agreement with the CFO of the Company, increasing the monthly cash payment to \$3,000.

11. Commitments

- a) On June 1, 2009, the Company entered into a consulting agreement with a company, requiring the payment of \$3,500 per month for the duration of the consulting period.
- b) On August 10, 2009, the Company entered into a consulting agreement with a company, requiring the payment of \$3,000 per month for the duration of the consulting period. Pursuant to the agreement, the Consultant will be granted 200,000 stock options at market price subject to regulatory approval.

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11. Commitments (Continued)

- c) On August 15, 2009, the Company entered into a Custom Software Development Agreement with a company. Pursuant to the agreement, the Company is committed to pay \$3,500 semi monthly for a total of \$28,000 over four months.
- d) The company is also obligated under three operating leases, two for office premises and one for a vehicle. These leases expire in November 2009, September 2010 and April 2011 respectively. Annual lease commitments are as follows:

2009	\$	9,925
2010		20,510
2011		<u>2,937</u>
	\$	<u>33,372</u>

12. 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 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. For the three months ending September 30, 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 September 30, 2009.

13. Financial Instruments

The Company's financial instruments consist of cash, receivables, and amounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

14. Segmented Disclosure

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

ISEE3D INC.

Notes to Financial Statements (Unaudited)

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15. Subsequent Events

- a) On October 6, 2009, the Company settled a total of \$15,000 in outstanding debt through issuing 21,429 shares at a deemed price of \$0.70 per share to an officer of the Company.
- b) On October 21, 2009, the Company entered into an agreement with a company for capital market services. Under the term of the agreement, the Company will pay a monthly retainer fee of \$10,000 for a period of twelve months subject to a ninety-day review. The Company will also be issuing 200,000 stock options, exercisable for a period of five years at a price of \$0.90 per share. The issuance of the options is subject to regulatory approval.
- c) On November 13, 2009, the Company announced its intention to grant options to purchase an aggregate of up to 250,000 common shares at a price of \$0.48 per share, exercisable for a period of five years, to certain officers, employees and consultants of the Company. The issuance of the options is subject to regulatory approval.