

ISEE3D INC.
Management Discussion and Analysis
August 28, 2009 Update

This Report was written on August 28, 2009

Management's Responsibility for Financial Reporting

This discussion and analysis covers the Unaudited Interim Consolidated Financial Statements for the three months ended June 30, 2009 compared with the three months ended June 30, 2008. This information is current to August 20, 2009, but has not been reviewed by the Company's auditors. This Management Discussion and Analysis ('MD&A') should be read in conjunction with the Audited Financial Statements and Notes thereto for the year ended December 31, 2008, and the MD&A for the fiscal year ended December 31, 2008, (collectively the 'Financial Statements').

The accompanying financial statements have been prepared by management and are in accordance with Canadian Generally Accepted Accounting Principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the financial statements. Management maintains a system of disclosure controls and procedures designed to provide reasonable assurance that the assets are safeguarded and the financial and other factual information contained herein is timely, accurate and reliable. Further, management has evaluated these disclosure controls and procedures and determined that they are appropriate and effective in providing reasonable assurance that all material information relating to the Company's activities is reflected in this report to the date specified, and have so certified.

The Company's certifying officers are also responsible for establishing internal controls over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles. In the current year, there has been no change in the Company's internal control over financial reporting that has materially affected, or is likely to materially affect, the Company's overall internal control over financial reporting or the reliability of its financial reporting.

The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. The Company expressly disclaims any obligation to revise or update forward-looking statements in the event such materially different outcomes or results should occur. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. See the Notes to the Company's Financial Statements regarding commitments, contingencies, legal matters, and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

All financial information is prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all amounts are expressed in Canadian dollars unless otherwise noted.

Overview

ISEE3D Inc. ("Isee3D") (TSX-V: ICT) owns certain patented technology which provides for the capture of stereoscopic (3D) images through a single lens. The Company's technology has broad application in several markets including the home entertainment industry, consumer electronics, and imaging devices of all sorts including microscopes, endoscopes as well as more sophisticated medical imaging systems.

The second quarter of 2009 has represented a very significant milestone in the Company's development, in that the Company has commenced a development program with the Battelle Institute of Columbus Ohio which represents a major milestone in the conversion of the Company's single lens 3D technology to an operating prototype through the conversion of a conventional HD2D video camera to 3D capability. This prototype will provide for real time HD3D image capture and display. This is a six month project with the operating prototype expected in October 2009. The agreement with Battelle also provides certain rights to ancillary technology as developed through this research and development program as well as rights for Battelle to introduce the Company's technology into any of their Government contracts which may be applicable, with licensing rights available to ISEE3D in the event of successful product introduction in that area of application.

The Battelle Institute is the world's largest non-profit independent research and development organization, providing innovative solutions to the world's most pressing needs through its four global businesses: Laboratory Management, National Security, Energy Technology, and Health and Life Sciences. It advances scientific discovery and application by conducting \$5.2 billion in global R&D annually through contract research, laboratory management and technology commercialization.

In addition to this development program, the Company has commenced business development effort utilizing its existing single lens conversion capability in the microscope industry working with clients for which 3D capability is of particular value in that sector.

Further the Company has commenced the expansion of its base of intellectual property through the conception and commencement of a program to reduce to patent of certain intellectual property related to the base technology of the Company.

The Company has continued on the improvement of its financial position through raising share capital during the quarter as follows:

During the quarter ended June 30, 2009, the Company issued a total of 7,898,685 shares for gross proceeds of \$1,184,802.75. In conjunction with this financing, the Company paid \$46,151 in cash, issued 414,372 finders shares valued at \$108,267.45 and 166,700 finders warrants

valued at \$35,385.41, and issued 7,898,685 share purchase warrants. The total share issuance costs were \$181,378.76 with respect to the private placement.

During the period and to date, the Company has completed the strengthening and transition of the Board of Directors with the appointment of Mr. Joylon Burton to the Company's Board of Directors. Mr. Burton's experience in the investment industry and working with public issuers will be a valuable asset as the Company continues to grow. The Company also announced the resignation of Alan Smith from the Company's Board of Directors.

Results of Operations:

For the Quarter ended June 30, 2009 compared to June 30, 2008;

The Company reports a net loss of \$549,176 or \$0.03 per share, compared to \$141,130 or \$0.02 per share in the quarter ended June 30, 2008. A significant component of this increase in costs is comprised of consulting and management fees, professional fees and research and development expenses of \$392,359 which did not exist in the prior year as the Company was not as active commercializing its business. In addition, the Company's growing group of management and directors received options in November 2008 and April 2009 and the vesting of those options have resulted in a stock based compensation expense of \$11,625.18 booked during the quarter ended June 30, 2009. These options did not exist in the corresponding quarter of 2008. This increase in costs is expected to be maintained as the Company accelerates its business development initiatives, with a short-term view to the commencement of licensing revenues by the Company.

For each of the eight (8) most recently completed quarters:

| | Jun-09 Qtr 2 | Mar-09 Qtr 1 | Dec-08 Qtr 4 | Sept-08 Qtr 3 |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Revenues | 0.00 | 0.00 | 0.00 | 0.00 |
| Net loss from continuing operations | (549,176) | (291,389) | (213,756) | (111,731) |
| Loss per share basic and diluted | (0.03) | (0.02) | (0.02) | (0.01) |
| Net Loss | (549,176) | (291,389) | (323,004) | (111,731) |
| Net loss per share basic and diluted | (0.03) | (0.02) | (0.02) | (0.01) |

| | June-08 Qtr 2 | Mar-08 Qtr 1 | Dec-07 Qtr 4 | Sept-07 Qtr 3 |
|-------------------------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| Revenues | 0.00 | 0.00 | 0.00 | 0.00 |
| Net loss from continuing operations | (141,130) | (66,864) | (86,666) | (466,782) |
| Loss per share basic and diluted (i) | (0.02) | (0.01) | (0.01) | (0.06) |
| Net Loss | (141,130) | (107,124) | (86,666) | (466,782) |
| Net loss per share basic and diluted (i) | (0.02) | (0.01) | (0.01) | (0.06) |

- (i) Basic and Diluted loss per share are based upon a number of shares adjusted for a 1:15 share consolidation approved by shareholders on April 2, 2007 applied retroactively.

Revenues remain at zero since revenue-generating activities have yet to be realized.

During the quarter ended June 30, 2009 the Company recorded stock based compensation of \$11,625.18. This stock based compensation is related to the vesting of 181,250 options which vested over a period of 24 months in eight equal installments with one-eighth of the options vesting on the grant date, and each additional one-eighth of the options vesting quarterly thereafter

Selected Annual Information Three Year Data

| Period ended December 31, | 2008 | 2007 | 2006 | 2005 |
|----------------------------------------|---------|---------|---------|---------|
| Revenues | 0 | 0 | 0 | 0 |
| Loss from continuing operations | 720,989 | 721,169 | 721,169 | 116,870 |
| Loss per share basic & diluted (i) | .06 | .09 | .10 | .02 |
| Net loss | 720,989 | 721,169 | 721,169 | 116,870 |
| Net loss per share basic & diluted (i) | .06 | .09 | .10 | .02 |
| Total assets | 90,756 | 77,201 | 77,201 | 8,100 |
| Total financial liabilities | 262,478 | 666,583 | 666,583 | 310,635 |
| Dividends paid per share | 0 | 0 | 0 | 0 |

- (i) Basic and Diluted loss per share are based upon a number of shares adjusted for a 1:15 share consolidation approved by shareholders on April 2, 2007 applied retroactively

Liquidity and Solvency:

At June 30, 2009 the Company had a net working capital of \$577,822 compared to a working capital deficiency of \$65,857 at June 30, 2008. Subsequent to June 30, 2009, the Company received proceeds of \$33,300 from the exercise of 166,500 warrants held by certain shareholder of the company. Accordingly, the Company has moved into a positive working capital position subsequent to the period end.

Subsequent events:

- a) On July 24, 2009, the Company settled a total of \$15,000 in outstanding debt through issuing 88,235 shares at a deemed price of \$0.17 per share to an officer of the Company.
- b) On July 24, 2009, the Company issued 60,000 finder's shares for the private placement closed on May 12, 2009.
- c) On August 4, 2009, the Company entered into an agreement with its CTO and a company controlled by its CTO to acquire a series of patent applications and proposed patent applications in connection with certain aspects of the Company's existing patented technology to potentially broaden and strengthen its existing 3D capture patent portfolio. The Company plans to file these patents in strategic countries in the future.

As part of the agreement, subject to regulatory approval, the Company will issue 1,000,000 common shares of the Company at a deemed price of \$0.22 per share. The shares will be subject to a hold period of four months and one day from the date of issuance. In addition, pursuant to the terms of the acquisition agreement, the shares will be escrowed and releasable as to 400,000 shares upon the expiry of the holding period, and a further 75,000 shares per month thereafter over a period of eight months.

- d) On August 14, 2009 the Company issued a further 1,475,000 options to acquire common stock of the Company to the various Directors, Officers, and Consultants of the Company, pursuant to the employee and director stock option plan. Those options have a strike price of \$0.27 per share and a term of five years.
- e) On August 14, 2009, the Company entered into an agreement with a company for investor relations and communication services. Under the term of the agreement, the Company will pay a monthly retainer fee of \$3,000 for its service. The Company will also be issuing 200,000 stock options subject to regulatory approval. The contract terms are for twelve months.

Capital resources and commitments

The Company has no commitments other than those in the ordinary course of business and reported in the Company's financial statements.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Transactions with Related Parties

The financial results for the quarter ended June 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 | \$ 59,000 | \$ 14,450 |
| Consulting and severance fees to a former director | 85,000 | - |
| Interest on notes payable | - | 25,067 |
| | <u>\$ 144,000</u> | <u>\$ 39,517</u> |

- b) Included in accounts payable and accrued liabilities as of June 30, 2009 are \$15,000 (2008-nil) due to the CFO of the Company and \$30,000 (2008-nil) due to a former Director of the Company.
- c) On June 29, 2009, the Company signed a debt settlement agreement with a director to settle \$46,868.70 in debt by issuing 312,457 common shares. These shares were issued on July 10, 2009.

Disclosure Controls:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of June 30, 2009 have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would have been known to them.

Other MD&A Requirements:

Additional information about the Company can be seen on SEDAR @ www.sedar.com. MD&A should be read jointly with the Company's audited financial statements for the fiscal year ended December 31, 2008.

Disclosure of outstanding share capital data:

At June 30, 2009, the Company had 27,691,049 common shares issued and outstanding and 6 preferred shares. In addition, the Company had issued 1,150,000 options to acquire common shares at \$0.15 per share of which 412,500 were exercisable at June 30, 2009. The Company also had warrants issued and outstanding to purchase 8,933,236 common shares of the Company at \$0.20 per share at June 30, 2009. In July and August 2009, 166,500 warrants were exercised for proceeds of \$33,300. In addition, on August 14, 2009 the Company issued a further 1,475,000 options to the Directors, Officers, and Consultants of the Company, resulting in a stock option balance outstanding of 2,625,000 at a strike prices of \$0.15 and \$0.27.