

SENSIO Technologies Inc.
Unaudited Interim Financial Statements
February 28th, 2011



SENSIO®

Financial Statements	
Earnings and comprehensive income	2
Deficits	3
Cash Flows	4
Balance Sheets	5
Notes to Unaudited Interim Financial Statements	6-12

Notice to reader

The Unaudited Interim Financial Statements for the nine months period ending February 28th, 2011 have not been examined by the company's auditors. All amounts presented are in Canadian dollars.

SENSIO Technologies Inc. Earnings and Comprehensive income

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Sales				
Products	403,553	13,614	1,130,490	397,595
Other	7,098	10,404	27,822	20,830
	<u>410,651</u>	<u>24,018</u>	<u>1,158,312</u>	<u>418,425</u>
Cost of goods sold				
Products	4,347		15,084	136,970
Other	678	383	9,584	3,570
	<u>5,025</u>	<u>383</u>	<u>24,668</u>	<u>140,540</u>
Gross profit	<u>405,626</u>	<u>23,635</u>	<u>1,133,644</u>	<u>277,885</u>
Selling expenses	937,794	719,822	2,017,424	1,317,961
Research and development expenses	375,734	133,347	754,334	339,849
Administrative expenses	401,190	377,807	1,153,231	875,032
Stock-based compensation	34,763	23,258	164,658	63,802
Financial expenses	8,738	6,597	40,140	28,698
	<u>1,758,219</u>	<u>1,260,831</u>	<u>4,129,787</u>	<u>2,625,342</u>
Interest income	23,438	13,498	85,856	25,103
	<u>1,734,781</u>	<u>1,247,333</u>	<u>4,043,931</u>	<u>2,600,239</u>
Net loss and comprehensive income	<u>(1,329,155)</u>	<u>(1,223,698)</u>	<u>(2,910,287)</u>	<u>(2,322,354)</u>
Basic and diluted net loss per share	<u>(0.0256)</u>	<u>(0.0245)</u>	<u>(0.0563)</u>	<u>(0.0506)</u>
Weighted average number of shares outstanding	<u>51,991,054</u>	<u>49,937,819</u>	<u>51,724,019</u>	<u>45,937,003</u>

The accompanying notes are an integral part of these unaudited interim financial statements and Note 3 provides more information on the earnings.

SENSIO Technologies Inc.
Deficits

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Balance, beginning of period	13,908,441	10,251,511	12,327,309	9,152,855
Net loss	<u>1,329,155</u>	<u>1,223,698</u>	<u>2,910,287</u>	<u>2,322,354</u>
Balance, end of period	<u><u>15,237,596</u></u>	<u><u>11,475,209</u></u>	<u><u>15,237,596</u></u>	<u><u>11,475,209</u></u>

The accompanying notes are an integral part of the unaudited interim financial statements.

SENSIO Technologies Inc.

Cash Flows

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
OPERATING ACTIVITIES				
Net loss	(1,329,155)	(1,223,698)	(2,910,287)	(2,322,354)
Non-cash items				
Amortization of property, plant and equipment	59,739	45,119	161,326	130,660
Amortization of intangible assets	67,212	34,328	147,503	99,869
Stock options issued to consultants	41,687	43,702	164,720	52,935
Stock-based compensation	34,763	23,258	164,658	63,802
Amortization of lease inducement	(5,875)	(3,460)	(17,625)	(10,380)
Unrealized exchange loss (gain) on balance of purchase price of rights to use a technology		(385)	(350)	(4,719)
Amortization of discount relating to term loan and on balance of purchase price of rights to use a technology		2,480		7,449
Changes in working capital items (Note 4)	25,052	40,887	(140,751)	(166,165)
Cash flows from operating activities	<u>(1,106,577)</u>	<u>(1,037,769)</u>	<u>(2,430,806)</u>	<u>(2,148,903)</u>
INVESTING ACTIVITIES				
Term deposit	1,700,390	(8,633,435)	3,535,390	(10,685,846)
Purchase of assets (Note 5)	(586,000)		(586,000)	
Property, plant and equipment	(39,801)	(20,947)	(395,365)	(31,203)
Intangible assets	(86,131)	(20,772)	(163,189)	(68,214)
Cash flows from investing activities	<u>988,458</u>	<u>(8,675,154)</u>	<u>2,390,836</u>	<u>(10,785,263)</u>
FINANCING ACTIVITIES				
Repayment of long-term debt		(21,000)	(80,950)	(88,000)
Issue of equity instruments	332,341	9,879,850	333,091	13,219,217
Share issue expenses		(120,230)		(212,438)
Cash flows from financing activities	<u>332,341</u>	<u>9,738,620</u>	<u>252,141</u>	<u>12,918,779</u>
Net increase (decrease) in cash	<u>214,222</u>	<u>25,697</u>	<u>212,171</u>	<u>(15,387)</u>
Cash, beginning of period	<u>(33,298)</u>	<u>35,280</u>	<u>(31,247)</u>	<u>76,364</u>
Cash, end of period	<u><u>180,924</u></u>	<u><u>60,977</u></u>	<u><u>180,924</u></u>	<u><u>60,977</u></u>

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

SENSIO Technologies Inc.

Balance Sheets

	Unaudited 2011-02-28	Audited 2010-05-31
	\$	\$
ASSETS		
Current assets		
Cash	180,924	
Term deposit	7,065,505	10,600,895
Accounts receivable (Note 6)	689,034	436,315
Inventories	198,580	127,354
Prepaid expenses	283,268	32,919
	<u>8,417,311</u>	<u>11,197,483</u>
Property, plant and equipment (Note 7)	675,601	392,533
Intangible assets (Note 8)	596,655	328,969
Goodwill	316,905	
Security deposit (Note 9)	12,373	12,373
	<u>10,018,845</u>	<u>11,931,358</u>
LIABILITIES		
Current liabilities		
Bank overdraft		31,247
Accounts payable and accrued liabilities	917,724	452,247
Instalments on long-term debt (Note 10)		129,600
	<u>917,724</u>	<u>613,094</u>
Lease inducement (Note 11)	79,115	48,440
	<u>996,839</u>	<u>661,534</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	22,137,882	21,588,734
Contribution surplus	2,121,720	2,008,399
Deficit	(15,237,596)	(12,327,309)
	<u>9,022,006</u>	<u>11,269,824</u>
	<u>10,018,845</u>	<u>11,931,358</u>

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

On behalf of the board,

/S/ Nicholas Routhier
Director

/S/ Yvan Goineau
Director

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

1 - BASIS OF PRESENTATION

The unaudited interim financial statements were drawn up by the management in accordance with the generally accepted accounting principles in Canada and follow the same policies and accounting methods as the annual financial statements of the Company for the year ending May 31st, 2010. The unaudited interim financial statements do not include all information which must be presented in the annual financial statements. These financial statements and accompanying notes should thus be read in parallel with the annual financial statements of the Company, for the year ending May 31st, 2010.

2 - ACCOUNTING POLICY CHANGES

Recently adopted standards

Business combinations

In January 2009, the CICA published chapter 1582, « Business combinations », replacing chapter 1581 which bears the same title.

Chapter 1582's objective is to improve the relevance, the reliability and the comparability of information relating to a business combinations and to its effects on the financial statements of the reporting entity.

Chapter 1582 is applicable to business combination where the acquisition date occurs in a financial year beginning after January 1, 2011. Since June 1st, 2010, the Company has adopted chapter 1582 by anticipation. Consequently, the acquisition of Algolith's assets described in note 5 was accounted for in accordance with the requirements of chapter 1582.

3 - INFORMATION INCLUDED IN EARNINGS

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Research and development expenses				
Expenses	421,390	147,855	853,515	398,315
Research and development tax credits applied against research and development expenses	<u>(45,656)</u>	<u>(14,508)</u>	<u>(99,181)</u>	<u>(58,466)</u>
	<u>375,734</u>	<u>133,347</u>	<u>754,334</u>	<u>339,849</u>
	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Amortization of property, plant and equipment	59,739	45,119	161,326	130,660
Amortization of intangible assets	67,212	34,328	147,503	99,869
Interest on long-term debt		3,284		11,035
Exchange loss (gain)	7,516	2,257	36,448	14,174

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

4 - INFORMATION INCLUDED IN CASH FLOWS

Changes in working capital items are detailed as follows:

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Accounts receivable	(125,305)	45,254	(252,719)	(69,081)
Inventories	(26,220)	(5,950)	(11,458)	(59,821)
Prepaid expenses	(149,337)	48,269	(250,349)	(1,636)
Accounts payable and accrued liabilities	325,914	(13,401)	373,775	(35,627)
Deferred revenue		(33,285)		
	<u>25,052</u>	<u>40,887</u>	<u>(140,751)</u>	<u>(166,165)</u>

Cash flows related to interest from operating activities are detailed as follows:

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Interest paid		804		3,586

5 - PURCHASE OF ASSETS

On December 1st, 2010, the Company acquired certain assets and assumed certain of the liabilities of Algolith inc. in return for \$586,000 in compensation.

The following table presents the estimated fair value of the net assets acquired, at the date of acquisition.

	Unaudited 2011-02-28 \$
Inventories	59,768
Property, plant and equipment	49,029
Intangible assets	
Patents	252,000
Goodwill	316,905
Total of purchased assets	<u>677,702</u>
Accounts payable and accrued liabilities	67,702
Long-term debt	24,000
Total of assumed liabilities	<u>91,702</u>
Net assets acquired	<u>586,000</u>

The intangible assets are composed of patents and goodwill. The goodwill consists of know-how and has been attributed in its entirety to the Research and Development department.

SENSIO Technologies Inc.
Notes to the Unaudited Interim Financial Statements

6 - ACCOUNTS RECEIVABLE

	Unaudited 2011-02-28	Audited 2010-05-31
	\$	\$
Trade Accounts	295,115	319,489
Research and development tax credits receivable	186,995	79,938
Sales taxes receivable	103,875	35,413
Interest on term deposit receivable	86,426	1,475
Others	16,623	
	<u>689,034</u>	<u>436,315</u>

7 - PROPERTY, PLANT AND EQUIPMENT

	Unaudited 2011-02-28		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	255,155	157,607	97,548
Office furniture	78,979	38,270	40,709
Machinery and equipment	777,690	495,256	282,434
Leasehold improvements	445,757	190,847	254,910
	<u>1,557,581</u>	<u>881,980</u>	<u>675,601</u>
			Audited
			2010-05-31
	Cost	Accumulated amortization	Net
	\$	\$	\$
Computer equipment	158,171	139,606	18,565
Office furniture	43,105	30,167	12,938
Machinery and equipment	609,220	399,504	209,716
Leasehold improvements	302,691	151,377	151,314
	<u>1,113,187</u>	<u>720,654</u>	<u>392,533</u>

8 - INTANGIBLE ASSETS

	Unaudited 2011-02-28		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Patents	723,004	240,065	482,939
Rights to use a technology (a)	481,712	428,893	52,819
Software	84,328	23,431	60,897
	<u>1,289,044</u>	<u>692,389</u>	<u>596,655</u>

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

8 - INTANGIBLE ASSETS (CONTINUED)

	Cost	Accumulated amortization	Audited 2010-05-31 Net
	\$	\$	\$
Patents	374,856	174,069	200,787
Rights to use a technology (a)	481,712	356,636	125,076
Software	17,287	14,181	3,106
	873,855	544,886	328,969

- (a) During the year ended May 31st, 2007, the Company acquired the rights to use a technology that converts 2D images to 3D images in real time for \$140,600 in cash and a balance of purchase price payable of an amount of \$341,112 (which corresponds to US\$375,000 discounted at a rate of 7.75%).

Under the agreement to purchase rights to use the technology, the Company is committed to pay royalties on annual sales until October 2012, which are established on the basis of gross annual sales realized. The royalty rate was established by taking into consideration the relative value of the technology acquired compared to the technology developed by the Company.

9 - SECURITY DEPOSIT

The security deposit includes a deposit applicable against the last month of rent of the lease expiring in June 2015.

10 - LONG-TERM DEBT

	Unaudited 2011-02-28	Audited 2010-05-31
	\$	\$
Balance of purchase price of rights to use a technology, in US dollars (US\$125,000), without interest, discounted at the rate of 7.75%, payable in annual instalments of US\$125,000, principal and interest, maturing in May 2010		129,600
		129,600
Instalments due within one year		129,600
		129,600

11 - LEASE INDUCEMENT

The amount of lease inducement was granted by the lessor to the Company, and was received during the year ended May 31, 2007, as well as during the current fiscal year, to carry out leasehold improvements. This inducement is amortized on a straight-line basis over the lease terms of, respectively, seven and five years.

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

12 - CAPITAL STOCK

Capital stock

Authorized

Unlimited number of common shares, voting and participating

The following table presents the changes in the Company's capital stock during the third quarter :

	Unaudited 2011-02-28	
	Number	\$
Issued and fully paid		
Balance on November 30 th , 2010	51,595,949	21,590,102
Shares issued on exercise of warrants and/or options	724,348	547,780
Balance on February 28th, 2011	52,320,297	22,137,882

Quarter ended February 28th, 2011

During this 3 months period, the Company issued 724,348 shares for a cash consideration of \$332,341 through the exercise of 298,333 warrants and 426,015 options. An amount of \$215,439 was credited under the Company's capital-stock and debited under contributed surplus.

Warrants

This summary table shows the number of warrants issued and outstanding by the Company for the first three quarters:

	Unaudited 2011-02-28 (3 months)		Unaudited 2010-02-28 (3 months)	
	Number of warrants	Average exercise price \$	Number of warrants	Average exercise price \$
Balance on November 30 th	298,333	0.40	1,836,834	0.35
Granted				
Exercised	(298,333)	0.40	(1,521,001)	0.35
Balance on February 28th			315,833	0.40

	Unaudited 2011-02-28 (9 months)		Unaudited 2010-02-28 (9 months)	
	Number of warrants	Average exercise price \$	Number of warrants	Average exercise price \$
Balance on May 31 st	298,333	0.40	11,772,668	0.54
Exercised	(298,333)	0.40	(7,478,085)	0.51
Expired			(3,978,750)	0.60
Balance on February 28th			315,833	0.40

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

12 - CAPITAL STOCK (CONTINUED)

Contributed surplus

This summary table represents the variations of the contributed surplus of the Company for the first three quarters :

	Unaudited 2011-02-28
	\$
Balance on May 31st, 2010	2,008,399
Warrants and options exercised	(216,057)
Stock based compensation	329,378
Balance on February 28th, 2011%	<u>2,121,720</u>

Stock option plan

The changes to the stock option plan of the Company are described as follows :

	Unaudited 2011-02-28	Weighted average exercise price
		\$
Balance on May 31st, 2010	2,307,510	0.85
Granted	180,000	1.45
Exercised	(428,515)	0.50
Balance on February 28th, 2011%	<u>2,058,995</u>	<u>0.96</u>

13 - FINANCIAL INSTRUMENTS

Currency risk

The Company is exposed to currency risk regarding cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt which are denominated in US dollars. As at February 28th, 2011, the assets denominated in US dollars were cash and accounts receivable for a total of US\$510,860 (US\$321,560 as at May 31st, 2010); the liabilities denominated in US dollars totalled US\$276,742 (US\$161,357 as at May 31st, 2010).

The Company has no agreements to cover the currency risk which it is exposed to.

Credit Risk

Chronological classification of the accounts receivable on February 28th, 2011 was as follows:

	\$	Percentage of accounts receivable
Current accounts	250,594	84.92%
From 30-60 days	24,498	8.30%
More than 60 days	20,023	6.78%
Total of accounts receivable	<u>295,115</u>	<u>100%</u>

SENSIO Technologies Inc.

Notes to the Unaudited Interim Financial Statements

14 - SEGMENTED INFORMATION

The Company has examined its activities and determined that it operates in a single reportable segment. This single reportable segment is 3D video systems for consumer and commercial markets. The Company's revenues are derived from the following areas:

	Unaudited 2011-02-28 (3 months) \$	Unaudited 2010-02-28 (3 months) \$	Unaudited 2011-02-28 (9 months) \$	Unaudited 2010-02-28 (9 months) \$
Revenue by location				
North America	355,004	24,018	886,657	399,655
South America			3,918	
Europe	18,045		76,671	7,925
Africa			78,904	
Middle-East			1,280	
Asia	37,602		59,975	
Oceania			50,907	10,845
	<u>410,651</u>	<u>24,018</u>	<u>1,158,312</u>	<u>418,425</u>

Revenues are attributed to continents based on the location of the customer.

The Company earned 76.4% of its sales from one client as at February 28th, 2011 (89.1% from one client as at February 28th, 2010).