



VIQ Solutions Inc.

Consolidated Interim Financial Statements
First Quarter 2005
For the three months ended March 31, 2005

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 consolidated 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 interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.



David C. Outhwaite
President and Chief Executive Officer



Karen Hersh
Chief Financial Officer

May 30, 2005

VIQ Solutions Inc.
Consolidated Balance Sheets
(Unaudited)

	March 31 2005	December 31 2004 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 2,792,703	\$ 1,827,898
Receivables	1,610,142	1,439,160
Share subscription receivable	-	700,200
Inventories	18,695	30,637
Prepaid expenses	54,598	85,916
	4,476,138	4,083,811
Accrued investment tax credits receivable	30,000	30,000
Property, plant and equipment	807,395	811,378
Goodwill	1,535,839	1,542,246
Future income tax benefit	244,262	245,282
Other assets	93,749	107,142
	\$ 7,187,383	\$ 6,819,859
Liabilities		
Current		
Short term debt (note 4)	\$ 1,280,000	\$ 500,000
Payables and accruals	2,232,170	2,765,602
CCAA amounts payable (note 5)	-	500,000
Deferred revenue	122,488	139,902
Note payable (note 6)	190,912	383,418
Current portion of long-term debt	292,000	292,000
Current portion of obligations under capital lease	105,828	121,360
	4,223,398	4,702,282
Obligations under capital lease	50,663	73,088
	4,274,061	4,775,370
Shareholders' Equity		
Capital stock (note 7)	3,753,314	2,072,374
Contributed surplus (note 8)	809,536	5,200
Cumulative foreign currency translation adjustments	43,070	43,214
Deficit	(1,692,598)	(76,299)
	2,913,322	2,044,489
	\$ 7,187,383	\$ 6,819,859

Going Concern Uncertainty (Note 2)

See accompanying notes to the consolidated financial statements

VIQ Solutions Inc.
 Consolidated Statement of Operations
 For the three months ended March 31, 2005
 (Unaudited)

Sales	\$ 2,544,834
Cost of sales	1,610,804
Gross profit	934,030
Expenses	
Selling and administrative	1,389,110
Research and development	395,582
	1,784,692
Loss before the following items	(850,662)
Management bonus (note 7)	(720,000)
Interest income	5,460
Interest expense	(38,510)
Foreign exchange loss	(12,587)
Net loss for the period	\$ (1,616,299)
Net loss per common share (note 10)	\$ (0.03)
Weighted average number of common shares outstanding	53,540,065

See accompanying notes to the consolidated financial statements

VIQ Solutions Inc.
Consolidated Statement of Deficit
For the three months ended March 31, 2005
(Unaudited)

Deficit, beginning of period	\$ (76,299)
Net loss for the period	(1,616,299)
Deficit, end of period	\$ (1,692,598)

VIQ Solutions Inc.
 Consolidated Statement of Cash Flows
 For the three months ended March 31, 2005
 (Unaudited)

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Cash flows from operating activities	
Net loss for the period	\$ (1,616,299)
Depreciation of property, plant and equipment	70,619
Amortization of other assets	13,393
Stock-based compensation (note 9)	84,336
Unrealized foreign exchange gain	(5,774)
Special warrants issued to management (note 7)	720,000
	<hr/> (733,725) <hr/>
Changes in non-cash operating working capital (note 11)	(471,712)
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Cash flows used in operating activities	(1,205,437)
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Cash flows from investing activities	
Purchase of property, plant and equipment	(69,404)
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Cash flows from investing activities	(69,404)
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Cash flows from financing activities	
Advances in short-term debt	780,000
Repayment of capital leases	(37,346)
Repayment of note payable	(191,710)
Proceeds from shares issued for cash	1,680,940
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Cash flows from financing activities	2,231,884
	<hr/>
Effect of exchange rate changes on cash	7,762
	<hr/>
Increase in cash and cash equivalents during the period	964,805
Cash and cash equivalents, beginning of period	1,827,898
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Cash and cash equivalents, end of period	\$ 2,792,703
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See accompanying notes to the consolidated financial statements

VIQ Solutions Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

VIQ Solutions Inc. (“VIQ Solutions” or the “Corporation”) was incorporated by Certificate of Incorporation pursuant to the provisions of the *Business Corporations Act* (Alberta) on November 10, 2004. On December 23, 2004, pursuant to a formal plan of arrangement (“the Arrangement”) by VoiceIQ Inc. (“VoiceIQ”), the Corporation purchased all the assets of VoiceIQ, being the voice capture and digitization assets and business of VoiceIQ in exchange for 36,776,310 shares of the Corporation (“the Acquisition”). As part of the Acquisition, VIQ Solutions assumed all of VoiceIQ’s contractual obligations and liabilities as of the date of the Arrangement that were not compromised by VoiceIQ under the Companies Creditors Arrangement Act (Canada) (“CCAA”). As part of the Arrangement, VIQ Solutions issued 2,000,000 common shares to certain creditors of VoiceIQ and an additional 1,333,333 common shares to a creditor of VoiceIQ as partial consideration of debt settlement under the CCAA. Until the Arrangement was implemented, VIQ Solutions did not carry on any business and had no material assets or liabilities. The Corporation commenced active business on December 24, 2004.

Due to the fact that that the predecessor company, being VoiceIQ, underwent a major restructuring, comparative figures are not meaningful and accordingly, have not been provided.

2. Going Concern Uncertainty

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. The Corporation has incurred operating losses during the quarter.

In January 2005, the Corporation secured a twelve-month, \$1,280,000 secured convertible debenture. The convertible debenture bears interest at a rate of 12% per annum compounded and payable monthly. The debenture is convertible into 7,111,111 units at a conversion price of \$0.18 per unit. Each unit is comprised of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant entitles the debenture holder to purchase one common share at a price of \$0.30 for a period of 18 months from the date of closing. The Corporation repaid the outstanding Debtor-in-possession (“DIP”) financing that was assumed from VoiceIQ from the proceeds of the convertible debenture.

In January and February 2005, the Corporation received net proceeds of \$650,140 in connection with private placements by issuing 3,611,888 units at a price of \$0.18 per unit. Each unit is comprised of one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.30 for a period of 18 months from the closing date.

In February 2005, the Corporation issued 2,490,555 units at \$0.18 for net proceeds of \$448,300 through a directors’ placement based on the same terms and conditions of the above-noted private placements.

In March 2005, the Corporation completed an additional private placement financing and received net proceeds of \$575,000 by issuing 2,500,000 units at a price of \$0.23 per unit. Each unit is comprised of one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.30 for a period of 24 months from the closing date.

Management believes that these actions and plans to achieve profitability make the going concern basis appropriate. If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities, and expenses in these financial statements.

The Corporation's ability to continue as a going concern is dependent on its ability to achieve and maintain profitable operations. These consolidated financial statements do not reflect any adjustments to reflect the possible future effects on the recoverability and the classification of assets and of the amounts and the classification of liabilities that may result if the going concern assumption were not appropriate. Such adjustments may be material.

3. Summary of Significant Accounting Policies

Nature of Operations

VIQ Solutions develops software and provides solutions that capture, digitize, compress and store voice from a variety of sources, including microphones, telephones and hand held recorders. The software can be used to securely manage the flow of voice files over virtually any computer network, including the Internet. The Corporation supplies, through a network of distributors and channel partners, solutions to end-users including individual medical clinics, legislative assemblies, courthouses and quasi-judicial agencies. NetScribe, a sophisticated web-based workflow management switch, provides anywhere anytime transcription work flow capabilities worldwide.

The Corporation also provides transcription services directly or by contracting to various suppliers around the world to a variety of clients including medical, court rooms, legislative assemblies, hearing rooms and quasi-judicial clients in various countries including Canada, the United States, Australia, New Zealand, South Africa, and Ireland.

Accounting Principles

The accompanying unaudited consolidated financial statements of VIQ Solutions Inc. its subsidiaries have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and are presented in Canadian dollars, unless otherwise noted. Accordingly, they do not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements.

The accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for interim periods. Operating results for the three-month period ended March 31, 2005, are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005. The accounting policies used in the preparation of these interim financial statements conform with the Corporation's December 31, 2004 audited financial statements. These unaudited consolidated financial statements should be read in conjunction with the Corporation's December 31, 2004 audited consolidated financial statements and notes thereto.

Basis of Consolidation

On December 23, 2004, the Corporation acquired all the assets and assumed all the associated contractual obligations and liabilities (to the extent that they were not compromised under the CCAA) from VoiceIQ including its wholly-owned subsidiary VoiceIQ Australia Pty Limited. and VoiceIQ Australia Pty Limited's wholly-owned subsidiaries Spark & Cannon Pty Ltd., Spark & Cannon (SA) Pty Ltd. (collectively referred to as "Spark & Cannon") and VoiceIQ NZ Limited. Subsequent to the period, VoiceIQ Australia Pty Limited changed its name to VIQ Australia Pty Limited.

The consolidated financial statements include the accounts of VIQ Solutions and the operations of the newly acquired assets as of the date of acquisition being December 23, 2004. The Corporation commenced active business on December 24, 2004.

Use of Estimates

In preparing the Corporation's consolidated financial statements, management is required to make estimates and

assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the determination of the valuation of goodwill, the useful lives of property, plant and equipment and other assets for amortization purposes, amounts recorded as accrued liabilities and the fair values of financial instruments.

4. Short-term Debt

In January 2005, the Corporation secured a twelve-month, \$1,280,000 secured convertible debenture. The convertible debenture bears interest at a rate of 12% per annum compounded and payable monthly. The debenture is convertible into 7,111,111 units at a conversion price of \$0.18 per unit. Each unit is comprised of one common share of the Corporation and one-half of one common share purchase warrant. Each whole warrant entitles the debenture holder to purchase one common share at a price of \$0.30 for a period of 18 months from the date of closing. The convertible debenture is held by a company in which a director of the Corporation is a senior officer.

The Corporation repaid the \$500,000 outstanding debtor-in-possession ("DIP") financing that was assumed from VoiceIQ from the proceeds of the secured convertible debenture.

5. CCAA Payable

The Arrangement provided for a cash payment of \$500,000 by VoiceIQ to its creditors as settlement of outstanding liabilities under the CCAA. This liability was assumed by VIQ Solutions as part of the Acquisition and was paid during the period.

6. Note Payable

Note payable represents an unsecured, non-interest bearing, vendor take-back note of \$383,418 (Aus\$ 408,413) incurred in connection with the acquisition of Spark & Cannon by VoiceIQ in April 2004 and assumed by VIQ Solutions as part of the Acquisition. The note payable is repayable in four equal quarterly installments commencing July 31, 2004. Subsequent to the period, VIQ Solutions paid the forth and final installment of \$190,912 pursuant to the purchase agreement.

7. Capital Stock

The Corporation's authorized capital consists of an unlimited number of common shares with no par value. Changes in the issued and outstanding common shares for the three months ended March 31, 2005 are as follows:

	Number of shares	Amount
Balance, December 31, 2004	50,135,199	\$ 2,072,374
Issued for cash upon exercise of warrants	30,000	7,500
Issued for cash on directors placement (i)	2,490,555	448,300
Issued for cash on private placements (ii)	6,111,888	1,225,140
Balance, March 31, 2005	58,767,642	\$ 3,753,314

(i) On February 22, 2005, the Corporation issued 2,490,555 units at a price of \$0.18 per unit to the directors of the Corporation for net proceeds of \$448,300. Each unit comprised one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.30 for a period of 18 months from the closing date.

(ii) On January 13, 2005 and February 28, 2005, the Corporation issued 1,388,888 units and 2,223,000 units respectively at a price of \$0.18 per unit for net proceeds of \$650,140. Each unit comprised one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one

common share at a price of \$0.30 for a period of 18 months from the closing date. On March 16, 2005, the Corporation issued 2,500,000 units at a price of \$0.23 per unit for net proceeds of \$575,000. Each unit comprised one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.30 for a period of 24 months from the closing date.

During the first quarter, the Corporation granted 298,000 stock options to employees, 60,000 stock options to the Corporation's corporate secretary and 1,045,000 to certain directors of the Corporation with an exercise price of \$0.22. No stock options were exercised or expired during the quarter.

During the quarter, the Corporation issued 3,055,944 warrants in connection with the private placements and 1,245,278 warrants in connection with the directors' placement. During the quarter, 30,000 warrants were exercised and 487,500 warrants expired.

In January 2005, the Corporation announced the issuance of 4,000,000 special warrants to management in recognition of recent contributions to the Corporation. The 4,000,000 special warrants were issued with an ascribed value of \$720,000 or \$0.18 per special warrant with each special warrant being exercisable for a period of 18 months from the date of issuance for no additional consideration, into one common share of the Corporation. It is a condition of the management bonus that the special warrants be held in escrow in accordance with the Tier 2 Issuer policies of the TSX Venture Exchange. During the period, no special warrants were exercised.

As at March 31, 2005, common shares of the Corporation were reserved as follows:

	Price	Expiry Dates	Number
Options	\$0.15	Jan. 2005 – Dec. 2005	7,000
	\$0.15	Jan. 2006 – Dec. 2006	17,000
	\$0.60 – \$1.07	Jan. 2008 – Dec. 2008	262,333
	\$0.94	Jan. 2009 – Dec. 2009	850,000
	\$0.22	Jan. 2010 – Dec. 2010	1,403,000
			2,539,333
Warrants	\$0.30	Jan. 2005 – Dec. 2005	1,300,000
	\$0.30 - \$0.80	Jan. 2006 – Dec. 2006	9,141,077
	\$0.30	Jan. 2007 – Dec. 2007	1,250,000
	\$0.50 - \$1.07	Jan. 2008 – Dec. 2008	345,000
			12,036,077
Special Warrants	\$nil	Jan. 2006 – Dec. 2006	4,000,000
			18,575,410

The Corporation's stock option plan allows for the granting of options up to an aggregate amount equal to 15% of the aggregate number of common shares of the Corporation outstanding. The options, which have a term not exceeding five years when issued, generally vest as follows:

- 1/3 at time of issue
- 1/3 after one year
- 1/3 after two years

As at March 31, 2005, the Corporation had 1,320,666 stock options that had vested with a weighted average exercise price of \$0.61 per share. The exercise price of each option is based on the market price of the Corporation's stock on the date of grant.

8. Contributed Surplus

Balance, beginning of period	\$	5,200
Issuance of special warrants (note 7)		720,000
Stock-based compensation (note 9)		84,336
Balance, end of period	\$	809,536

9. Stock-based Compensation

The Corporation has an incentive stock option plan for all of its directors, officers, employees, and consultants. The option exercise price is the fair market value of the Corporation's common shares at the date of grant. These options generally vest over a period of 24 months after which they are exercisable for a maximum of five years after the grant date. In accordance with the Corporation's accounting policy, compensation expense is recognized over the vesting term of the options.

The total compensation expense relating to stock options granted to employees for the quarter was \$84,336, which was included in selling and administrative expense, with a corresponding charge to contributed surplus.

10. Loss per Common Share

Net loss for the period - basic and diluted	\$	(1,616,299)
Weighted average number of common shares outstanding during the period - basic and diluted		53,540,065
Net loss per share - basic and diluted	\$	(0.03)

The following were not included in the computation of diluted net loss per share as they are anti-dilutive:

- 1,320,666 stock options with a weighted average exercise price of \$0.61 per share (note 7);
- 4,000,000 special warrants to be exercised for no additional consideration (note 7); and
- 12,036,077 warrants with exercise prices ranging from \$0.30 to \$1.07 (note 7).

11. Supplemental Cash flow Information

During the period, changes in non-cash operating working capital were as follows:

Receivables	\$	536,822
Prepays		31,318
Inventories		11,942
Deferred revenue		(17,414)
Payables and accruals		(1,034,380)
Total	\$	(471,712)

12. Segmented Information

Management has determined that the Corporation operates within two business segments: the computer products and services segment, which develops, distributes and licenses computer-based voice processing

solutions based on its proprietary technology; and the transcription segment, which provides recording and transcription services, and information support services.

The Corporation's reportable segments are strategic business segments that offer different products and/or services. These business segments work on different business models and operate autonomously.

The following tables provide information about the operating results for the Corporation's strategic business segments.

	Computer Products & Services	Transcription & Netscribe Services	Total
Sales to reportable segments	\$ 267,334	\$ 2,346,296	\$ 2,613,629
Inter-segment sales	-	\$ (68,796)	\$ (68,796)
Sales to external customers	\$ 267,334	\$ 2,277,500	\$ 2,544,834
Gross profit	\$ 213,194	\$ 720,836	\$ 934,030
Segment income (loss)	\$ (1,594,961)	\$ (21,338)	\$ (1,616,299)
Segment assets	\$ 3,511,493	\$ 3,675,890	\$ 7,187,383

The following tables provide information about geographic sales, property, plant and equipment and goodwill.

	Sales	Property, Plant and Equipment	Goodwill
Canada	\$ 115,379	\$ 273,681	\$ -
Australia	2,245,257	533,714	1,535,839
United States and other	184,197	-	-
	\$ 2,544,834	\$ 807,395	\$ 1,535,839

The Corporation does not segregate sales and associated costs by individual software products. Accordingly, segmented information on sales and associated costs is only provided for the full line of software solutions currently offered by the Corporation.

13. Related Party Transactions

The secured convertible debenture in the amount of \$1,280,000 is from a company in which a director of the Corporation is a senior officer. During the period, \$31,982 of interest was paid in connection with the secured convertible debenture.

14. Subsequent Events

Subsequent to the period, Spark & Cannon received notification that a significant contract representing approximately 11% of its revenues would not be renewed as of July 2005. Management feels confident that the loss in revenue can be replaced with new contracts during the current fiscal year.