



## **VIQ Solutions Inc.**

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Interim Consolidated Financial Statements  
For the three months ended March 31, 2006



## **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”

David C. Outhwaite  
President and Chief Executive Officer

“Karen Hersh”

Karen Hersh  
Chief Financial Officer

May 29, 2006

VIQ Solutions Inc.  
Interim Consolidated Balance Sheets  
(Unaudited)

	March 31 2006	December 31 2005
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 287,438	\$ 306,066
Receivables	1,291,422	1,032,469
Inventories	107,556	113,832
Prepaid expenses	86,121	139,018
	<u>1,772,537</u>	<u>1,591,385</u>
Accrued investment tax credits receivable	30,000	30,000
Restricted cash	106,424	75,347
Property, plant and equipment	1,056,850	1,027,671
Goodwill	2,122,307	2,153,848
Future income tax benefit	197,709	202,248
Other assets	295,678	345,571
	<u>\$ 5,581,505</u>	<u>\$ 5,426,070</u>
<b>Liabilities</b>		
Current		
Short term debt (note 5)	\$ 854,185	\$ 305,585
Payables and accruals	1,776,640	1,550,549
Deferred revenue	274,259	245,618
Current portion of long-term debt (note 6)	546,151	545,943
Current portion of obligations under capital lease	81,296	71,276
	<u>3,532,531</u>	<u>2,718,971</u>
Obligations under capital lease	103,806	85,636
Long-term debt (note 6)	314,844	1,242,210
	<u>3,951,181</u>	<u>4,046,817</u>
<b>Shareholders' Equity</b>		
Capital stock (note 7)	5,081,764	4,143,764
Contributed surplus (note 8)	997,494	986,266
Cumulative foreign currency translation adjustments	(104,234)	(73,854)
Deficit	(4,344,700)	(3,676,923)
	<u>1,630,324</u>	<u>1,379,253</u>
	<u>\$ 5,581,505</u>	<u>\$ 5,426,070</u>

Going Concern Uncertainty (note 2)  
Subsequent Events (note 14)

Approved by the Board " Norman Inkster"  
Norman Inkster, Director

" David Outhwaite"  
David Outhwaite, CEO and Director

*The accompanying notes form an integral part of these interim consolidated financial statements.*

VIQ Solutions Inc.  
Interim Consolidated Statements of Operations and Deficit  
(Unaudited)

	Three months ended March 31	
	2006	2005
Sales	\$ 2,470,058	\$ 2,544,834
Cost of sales	1,665,425	1,610,804
Gross profit	804,633	934,030
Expenses		
Selling and administrative	1,062,816	1,305,098
Research and development	221,379	395,582
	1,284,195	1,700,680
Loss before the following items	(479,562)	(766,650)
Management retention bonus	-	(720,000)
Depreciation and amortization	(124,659)	(84,012)
Interest income	1,552	5,460
Interest expense	(29,920)	(38,510)
Loss on sale of fixed assets	(8,392)	-
Foreign exchange loss	(26,796)	(12,587)
Net loss before income taxes	\$ (667,777)	\$ (1,616,299)
Provision for income taxes	-	-
Net loss for the period	\$ (667,777)	\$ (1,616,299)
Deficit, beginning of period	(3,676,923)	(76,299)
Deficit, end of period	\$ (4,344,700)	\$ (1,692,598)
Net loss per common share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	69,413,852	53,540,065

*The accompanying notes form an integral part of these interim consolidated financial statements.*

VIQ Solutions Inc.  
Consolidated Statements of Cash Flows  
(Unaudited)

	Three months ended March 31	
	2006	2005
Cash flows from operating activities		
Net loss for the period	\$ (667,777)	\$ (1,616,299)
Depreciation and amortization	124,659	84,012
Special warrants issued (note 7)	-	720,000
Loss on sale of property, plant and equipment	8,392	-
Stock-based compensation (note 9)	29,228	84,336
Unrealized foreign exchange loss (gain)	14,117	(5,774)
	(491,381)	(733,725)
Changes in non-cash operating working capital (note 11)	61,338	(471,712)
Cash flows used in operating activities	(430,043)	(1,205,437)
Cash flows from investing activities		
Purchase of property, plant and equipment	(88,208)	(69,404)
Proceeds on disposition of property, plant and equipment	14,738	-
Increase in restricted cash	(31,077)	-
Cash flows used in investing activities	(104,547)	(69,404)
Cash flows from financing activities		
Advances in short-term debt	548,600	780,000
Decrease in long-term debt	(7,159)	-
Repayment of note payable	-	(191,710)
Capital lease payments	(19,979)	(37,346)
Proceeds from shares issued for cash (note 7)	-	1,680,940
Cash flows from financing activities	521,462	2,231,884
Effect of exchange rate changes on cash	(5,500)	7,762
Increase (decrease) in cash and cash equivalents during the period	(18,628)	964,805
Cash and cash equivalents, beginning of period	306,066	1,827,898
Cash and cash equivalents, end of period	\$ 287,438	\$ 2,792,703
<b>Supplemental disclosure</b>		
Interest paid	\$ 12,274	\$ 37,646
Interest received	1,552	5,460

The accompanying notes form an integral part of these interim consolidated financial statements.

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## VIQ Solutions Inc.

### Notes to Consolidated Financial Statements

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#### 1. Incorporation and Corporate Restructuring

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.

#### 2. Going Concern Uncertainty

These interim 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. VIQ Solutions has incurred operating losses during the year.

In January 2005, the Corporation placed 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.

In January 2006, the balance of the secured debenture was converted into common shares and warrants of the Corporation.

In January 2006, the Corporation finalized a \$500,000 six-month secured bridge loan. The bridge loan bears interest at a rate of 10% per annum payable upon repayment of the loan.

Subsequent to the period, the Corporation finalized a private placement in the amount of \$587,100 for 3,090,000 common shares at a price of \$0.19 per share.

Management believes that these actions 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 interim 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 workflow 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, courtrooms, legislative assemblies, hearing rooms and quasi-judicial clients in various countries including Canada, the United States, Australia, New Zealand and Ireland.

#### **Accounting Principles**

The consolidated interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies as for the financial statements for the year ended December 31, 2005 and should be read in conjunction with the December 31, 2005 audited financial statements of the Corporation.

#### **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 VIQ Australia Pty. Limited and VIQ Australia Pty. Limited's wholly-owned subsidiaries Spark & Cannon Pty. Ltd., Spark & Cannon (SA) Pty. Ltd. (collectively referred to as "Spark & Cannon") and VIQ Solutions NZ Limited (formally VoiceIQ NZ Limited). In 2005, the Corporation incorporated a new subsidiary, VIQ Solutions (U.S.) Inc., which has been included in the interim consolidated financial statements. On December 23, 2005, the Corporation acquired all the outstanding common shares of International Reporting Inc. ("International Reporting").

The interim consolidated financial statements include the accounts of VIQ Solutions, the operations of the acquired assets of VoiceIQ as of the date of acquisition being December 23, 2004 and the operations of International Reporting as of the date of acquisition being December 23, 2005. The Corporation commenced active business on December 24, 2004.

#### **Use of Estimates**

In preparing the Corporation's interim 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 and intangible assets, 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. Business Acquisitions**

On December 23, 2005, the Corporation signed and closed a share purchase agreement to acquire all of the common shares of International Reporting, a transcription and recording services company. The aggregate purchase price was

\$950,000 satisfied by \$500,000 of cash and two unsecured notes of \$225,000 each bearing interest at 5% to be repaid on the first and second anniversaries of the acquisition. The Corporation may be required to pay additional consideration of varying amounts to the vendors in the event that certain sales and net earnings targets are met.

The results of International Reporting's operations have been included in the interim consolidated financial statements since the agreement took effect on December 23, 2005. Details of the assets acquired and liabilities assumed at their fair values are as follows:

Net identifiable assets of International Reporting:

Current assets	\$	151,422
Capital assets		286,501
Customer contracts		292,000
Current liabilities		(368,805)
Obligations under capital lease		(33,577)
Long-term debt		(126,152)
Identifiable net assets		201,389
Goodwill acquired		748,611
Acquisition price	\$	text-align: right;">950,000
Consideration:		
Cash	\$	500,000
Unsecured note bearing interest at 5%, due Dec 23, 2006		225,000
Unsecured note bearing interest at 5%, due Dec 23, 2007		225,000
Total consideration	\$	text-align: right;">950,000

Customer Contracts acquired pursuant to the International Reporting acquisition are being amortized on a straight-line basis over their estimated useful lives being two years.

## 5. Short-term Debt

	March 31, 2006	December 31, 2005
Bridge loan of \$500,000 due on June 27, 2006, bearing interest at 10%, secured by a general security agreement covering all assets of the Corporation and its subsidiaries.	\$ 500,000	\$ -
Unsecured amount owing to the vendors of International Reporting bearing interest at 7% with no specified repayment terms.	\$ 254,185	\$ 155,585
Bank operating line of credit, bearing interest at 7%, secured by a general security agreement covering all assets of International Reporting.	\$ 100,000	\$ 150,000
	text-align: right;">\$ 854,185	text-align: right;">\$ 305,585

## 6. Long-term Debt

	March 31, 2006	December 31, 2005
12% secured convertible debenture at a conversion rate of \$0.18 per unit whereby each unit consists of one common share of the Corporation and one half warrant of the Corporation (i)	\$ -	\$ 920,000
IRAP repayable contribution (ii)	292,000	292,000
Unsecured notes bearing interest at a rate of 5% per annum, payable annually as a vendor take-back from the acquisition of International Reporting. Half of the notes, or \$225,000, are repayable on the one-year anniversary of the acquisition being December 23, 2006 and the other \$225,000 is repayable on the two-year anniversary.	450,000	450,000
Mortgage, 6.5% per annum payable in monthly blended payments of principal and interest of \$1,250 on the first business day of each month, secured by property of International Reporting.	35,274	38,424
Base rate plus one percent term loan, repayable in monthly payments of \$556 principal plus interest, maturing September 2018.	70,400	72,068
Term loan at prime plus 3%, repayable in monthly payments of \$280 principal plus interest, maturing October 2007.	5,320	6,160
Base rate plus one percent term loan, repayable in monthly payments of principal plus interest, maturing July 2007.	8,000	9,500
	860,994	1,788,152
Less current portion	(546,151)	(545,942)
	\$ 314,843	\$ 1,242,210

- (i) In January 2005, the Corporation placed a twelve-month, \$1,280,000 secured convertible debenture. The debenture was convertible into 7,111,111 units at a conversion price of \$0.18 per unit. Each unit was comprised of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant entitled the debenture holder to purchase one common share at a price of \$0.30. In January 2006, the remaining balance of the secured convertible debenture was converted into common shares and warrants of the Corporation.

The fair value of the convertible debenture approximated its carrying value and accordingly, no value was assigned to the equity component of the convertible debenture.

- (ii) The National Research Council Canada ("NRC") provided a contribution of \$292,000 under the Industrial Resources Assistance Program ("IRAP") for work undertaken by VoiceIQ related to certain product development activities, based on 60% of the related salary costs. As part of the Arrangement, the Corporation has assumed this liability. The funding is repayable on a quarterly basis, starting September 1, 2003, based on 2% of the previous quarter's gross revenue. If the amount contributed is not repaid on this basis by June 1, 2013, the unpaid balance will be forgiven.

## 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 period ended March 31, 2006 are as follows:

	Number of shares	Amount
Balance, December 31, 2004 – issued and outstanding	50,135,199	\$ 2,072,374
Issued for cash upon exercise of warrants	130,000	37,500
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
Issued for cash on exercise of options	3,000	450
Issued on conversion of debenture	2,000,000	360,000
Balance December 31, 2005 – issued and outstanding	60,870,642	\$ 4,143,764
Issued on exercise of special warrants (iii)	100,000	18,000
Issued on conversion of debenture (note 6)	5,111,111	920,000
Balance March 31, 2006 – issued and outstanding	66,081,753	\$ 5,081,764

- (i) On February 22, 2005, the Corporation issued 2,490,555 units at a price of \$0.18 per unit to certain directors of the Corporation for net proceeds of \$448,300. Each unit was 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.
- (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 was 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. 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 was 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.
- (iii) In January 2005, the Corporation announced the issuance of 4,000,000 special warrants to management in recognition of contributions to the Corporation in connection with the Plan of Arrangement. 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 retention 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, 100,000 special warrants were exercised.

As at March 31, 2006, common shares of the Corporation were reserved as follows:

	Price	Expiry Dates	Number
Options	\$0.15	Jan. 2006 – Dec. 2006	21,000
	\$0.60 - \$1.07	Jan. 2008 – Dec. 2008	248,333
	\$0.94	Jan. 2009 – Dec. 2009	850,000
	\$0.20 - \$0.27	Jan. 2010 – Dec. 2010	1,793,000
	\$0.19	Jan. 2011 – Dec. 2011	2,475,000
			5,387,333
Warrants	\$0.30 - \$0.80	Jan. 2006 – Dec. 2006	9,314,000
	\$0.30	Jan. 2007 – Dec. 2007	3,555,555
	\$0.50 - \$1.07	Jan. 2008 – Dec. 2008	345,000
			13,214,555
Special Warrants	\$nil	Jan. 2006 – Dec. 2006	3,900,000
			22,501,888

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

The exercise price of each option is based on the market price of the Corporation's stock on the date of grant. As at March 31, 2006, the Corporation had 2,787,989 options that had vested with a weighted average exercise price of \$0.41 per share. During the quarter, the Corporation granted 2,735,000 stock options to directors, officers and employees.

## 8. Contributed Surplus

	Three months ended March 31	
	<b>2006</b>	<b>2005</b>
Balance, beginning of period	\$ 986,266	\$ 5,200
Issuance (exercise) of special warrants (note 7)	(18,000)	720,000
Stock-based compensation (note 9)	29,228	84,336
Balance, end of period	\$ 997,494	\$ 809,536

## 9. Stock-based Compensation

The Corporation has an incentive stock option plan for all of its directors, officers, and employees. 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.

The total compensation expense relating to stock options granted to employees and directors for the period was \$29,228 which was included in selling and administrative expense, with a corresponding charge to contributed surplus. The weighted average fair value of the options granted during the period was \$0.10 per option.

Stock options issued during the period were valued using the Black-Scholes option pricing model with the following assumptions:

	March 31 <b>2006</b>	March 31 <b>2005</b>
Risk free interest rate (%)	3.81 - 3.92	3.05
Expected volatility (%)	83 - 91	125
Expected life (in years)	2	2
Expected dividends	Nil	Nil

## 10. Loss per Common Share

	For the three months ended March 31	
	<b>2006</b>	<b>2005</b>
Net loss for the period - basic and diluted	\$ (667,777)	\$ (1,616,299)
Weighted average number of common shares outstanding during the period - basic and diluted	69,413,852	53,540,065
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.03)

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

- 2,787,989 stock options with a weighted average exercise price of \$0.41 per share (note 7); and
- 13,214,555 warrants with exercise prices ranging from \$0.30 to \$1.07 (note 7).

The 4,000,000 special warrants have been included in the weighted average number of common shares as these warrants are deemed exercised as they have no exercise price and are automatically exercised prior to expiry.

## 11. Supplemental Cash Flow Information

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

	Three months ended March 31	
	2006	2005
Receivables	\$ (250,243)	\$ (536,285)
Inventory	6,276	11,942
Prepaid expense	52,897	31,318
Payables and accruals	223,767	(1,034,380)
Deferred revenue	28,641	(17,414)
<b>Total</b>	<b>\$ 61,338</b>	<b>\$ (471,712)</b>

Other non-cash transactions:

- During the period, the remaining secured convertible debenture in the amount of \$920,000 was converted into common shares of the Corporation (note 7).
- During the three months ended March 31, 2006, the Corporation acquired \$48,169 of property, plant and equipment under capital lease.

## 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.

	Three months ended March 31, 2006		
	Computer Products & Services	Transcription Services	Total
Sales of reportable segments	\$ 318,284	\$ 2,156,412	\$ 2,474,696
Inter-segment sales	(4,638)	-	(4,638)
<b>Sales to external customers</b>	<b>\$ 313,646</b>	<b>\$ 2,156,412</b>	<b>\$ 2,470,058</b>
Gross profit	\$ 201,632	\$ 603,001	\$ 804,633
Segment income (loss)	\$ (579,212)	\$ (88,565)	\$ (667,777)
Segment assets	\$ 835,815	\$ 4,745,690	\$ 5,581,505

	3 Months ended March 31, 2005		
	Computer Products & Services	Transcription Services	Total
Sales to reportable segments	\$ 299,577	\$ 2,314,053	\$ 2,613,630
Inter-segment sales	-	(68,796)	(68,796)
Sales to external customers	\$ 299,577	\$ 2,245,257	\$ 2,544,834
Gross profit	\$ 191,131	\$ 742,899	\$ 934,030
Segment income (loss)	\$ (1,617,024)	\$ 725	\$ (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.

	3 months ended March 31, 2006		
	Sales	Property, Plant and Equipment	Goodwill
Canada	\$ 480,224	\$ 524,821	\$ 748,611
Australia	1,806,567	532,029	1,373,696
United States and other	183,267	-	-
	\$ 2,470,058	\$ 1,056,850	\$ 2,122,307

	3 months ended March 31, 2005		
	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 \$920,000 is from a company of which a director of the Corporation is a senior officer. During the quarter, \$2,489 of interest was paid in connection with the secured convertible debenture (see note 6).

### 14. Subsequent Events

The following events occurred subsequent to the period:

(i) Private Placement

Subsequent to the period, the Corporation finalized a private placement in the amount of \$587,100 for 3,090,000

common shares at a price of \$0.19 per share.

(ii) Warrant Amendment

Subsequent to the period, certain warrant holders owning collectively 4,832,278 warrants agreed to amend their warrant terms such that the expiry date of the warrants was accelerated to April 3, 2006 for no consideration.

(iii) Extension of Bridge Loan

Subsequent to the period, the secured bridge loan was extended to March 31, 2007 with all other terms and conditions of the loan remaining the same.