



VIQ Solutions Inc.

Interim Consolidated Financial Statements
For the three months ended March 31, 2007



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.

signed "David Outhwaite"

David Outhwaite
President and Chief Executive Officer

signed "Karen Hersh"

Karen Hersh
Chief Financial Officer

May 29, 2007

VIQ Solutions Inc.
Interim Consolidated Balance Sheets
(Unaudited)

	March 31 2007	December 31 2006
Assets		
Current		
Cash and cash equivalents	\$ 647,410	\$ 612,264
Receivables	1,730,680	1,516,021
Inventories	92,387	29,639
Prepaid expenses	101,158	130,452
	<u>2,571,635</u>	<u>2,288,376</u>
Restricted cash	122,540	120,494
Property and equipment	1,009,553	1,039,249
Goodwill	2,283,464	2,257,836
Future tax assets	261,311	256,948
Other assets	109,500	146,000
	<u>\$ 6,358,003</u>	<u>\$ 6,108,903</u>
Liabilities		
Current		
Payables and accruals	\$ 2,020,749	\$ 1,659,637
Short-term debt (note 5)	725,000	725,000
Deferred revenue and deferred lease incentives	266,433	226,182
Current portion of long-term debt (note 6)	539,657	540,936
Current portion of obligations under capital lease	70,971	106,227
	<u>3,622,810</u>	<u>3,257,982</u>
Obligations under capital lease	132,988	129,488
Deferred lease incentives	56,492	61,838
Long-term debt (note 6)	754,311	752,828
	<u>4,566,601</u>	<u>4,202,136</u>
Shareholders' Equity		
Capital stock (note 7)	6,370,864	6,370,864
Contributed surplus (note 8)	529,287	488,781
Accumulated other comprehensive income	29,115	9,642
Deficit	(5,137,864)	(4,962,520)
	<u>1,791,402</u>	<u>1,906,767</u>
	<u>\$ 6,358,003</u>	<u>\$ 6,108,903</u>

Going Concern Uncertainty (note 2)

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	
	2007	2006
Sales	\$ 3,302,123	\$ 2,470,058
Cost of sales	2,022,520	1,665,425
Gross profit	1,279,603	804,633
Expenses		
Selling and administrative	1,132,929	1,062,816
Research and development	101,003	221,379
	1,233,932	1,284,195
Earnings (loss) before the following items	45,671	(479,562)
Amortization of property and equipment	(70,128)	(74,766)
Amortization of intangibles	(36,500)	(49,893)
Interest income	4,362	1,552
Interest expense	(49,697)	(29,920)
Loss on sale of equipment	-	(8,392)
Foreign exchange loss	(69,052)	(26,796)
Net loss for the period	\$ (175,344)	\$ (667,777)
Deficit, beginning of period	(4,962,520)	(3,676,923)
Deficit, end of period	\$ (5,137,864)	\$ (4,344,700)
Net loss per common share – basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	73,071,753	69,413,852

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

VIQ Solutions Inc.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three months ended March 31	
	2007	2006
Net loss for the period	\$ (175,344)	\$ (667,777)
Other Comprehensive Income (loss)		
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	(19,473)	30,380
Comprehensive Income (loss)	\$ (194,817)	\$ (637,397)

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

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

	Three months ended March 31	
	2007	2006
Cash flows from operating activities		
Net loss for the period	\$ (175,344)	\$ (667,777)
Amortization	106,628	124,659
Interest accretion on bridge loans	6,732	-
Loss on sale of equipment	-	8,392
Stock-based compensation (note 9)	40,506	29,228
Unrealized foreign exchange loss (gain)	(15,416)	14,117
	(36,894)	(491,381)
Long-term portion of deferred lease incentives	(5,346)	-
Changes in non-cash operating working capital (note 11)	146,157	61,338
Cash flows from (used in) operating activities	103,917	(430,043)
Cash flows from investing activities		
Purchase of property and equipment	(31,124)	(88,208)
Proceeds on disposition of property and equipment	-	14,738
Increase in restricted cash	-	(31,077)
Cash flows used in investing activities	(31,124)	(104,547)
Cash flows from financing activities		
Advances in short-term debt	-	548,600
Repayment of long-term debt	(6,528)	(7,159)
Capital lease payments	(31,755)	(19,979)
Cash flows from (used in) financing activities	(38,283)	521,462
Effect of exchange rate changes on cash	636	(5,500)
Increase (decrease) in cash during the period	35,146	(18,628)
Cash, beginning of period	612,264	306,066
Cash, end of period	\$ 647,410	\$ 287,438

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

VIQ Solutions Inc.

Notes to Interim Consolidated Financial Statements

1. Nature of Operations

VIQ Solutions Inc. (“VIQ Solutions” or the “Corporation”) 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 recording and transcription services directly or by contracting to various suppliers around the world to a variety of clients including medical, courtrooms, legislative assemblies, hearing rooms, inquiries and quasi-judicial clients in numerous countries including Canada, the United States, Australia, South Africa, and Ireland.

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 current and prior years.

Historically, management has consistently been able to raise sufficient funds to continue operations. Further, the Corporation has significantly decreased its losses over time. Management believes that these actions make the going concern basis appropriate.

The Corporation’s ability to continue as a going concern is dependent on its ability to achieve and maintain profitable operations and may require management to obtain future financing. 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. Basis of Presentation

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, 2006, with the exception of the changes in accounting policies described in note 4. These interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

4. Adoption of New Accounting Policies

Effective January 1, 2007, the Corporation adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Comprehensive Income (“Section 1530”); Financial Instruments – Recognition and Measurement (“Section 3855”); and Hedges (“Section 3865”). These standards have been adopted on a prospective basis, with the exception of the cumulative translation adjustment which has been applied retroactively.

Comprehensive Income

Section 1530 requires the presentation of comprehensive income, which consists of net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity and includes foreign exchange gains and losses on the translation of the financial statements of the Corporation's self-sustaining foreign operations, previously recorded in a separate section of shareholders' equity, and is now presented as accumulated other comprehensive income. The Corporation's earnings per share presented on the interim consolidated statements of income are based upon its net income and not its comprehensive income.

Financial Instruments – Recognition and Measurement

Section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet as well as its measurement amount. This section also specifies how gains and losses on financial instruments are to be presented.

The Corporation's receivables are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

The Corporation's payables and accruals, short-term and long-term debt and obligations under capital lease are classified as financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method which generally corresponds to cost.

Hedges

Section 3865 expands on the existing Accounting Guideline 13 – "Hedging Relationships" by specifying how hedge accounting is to be applied and what disclosures are necessary when it is applied.

As at March 31, 2007, the Corporation did not hold any financial instruments for which it has elected to apply hedge accounting under Section 3865.

5. Short-term Debt

	March 31, 2007	December 31, 2006
Bridge loan due on June 30, 2007, bearing interest at a rate of 10%, secured by a general security agreement covering all assets of the Corporation and its subsidiaries.	\$ 500,000	\$ 500,000
Unsecured amount owing to the vendors of International Reporting bearing interest at 7% with no specified repayment terms (see Related Party Transactions – note 13).	225,000	225,000
	<u>\$ 725,000</u>	<u>\$ 725,000</u>

The Corporation has a line of credit facility, bearing interest at 7%, secured by a general security agreement covering all the assets of International Reporting. As at March 31, 2007, the Corporation had no balance outstanding on the line of credit.

6. Long-term Debt

	March 31, 2007	December 31, 2006
IRAP repayable contribution (i)	\$ 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, were repaid on the one-year anniversary of the acquisition being December 23, 2006 and the other \$225,000 is repayable on the two-year anniversary, being December 23, 2007.	225,000	225,000
Secured bridge loan with a face value of \$455,000 bearing interest at a rate of 12% per annum, payable annually and the issuance of 2,275,000 warrants resulting in an imputed rate of interest of 13%. The loan is repayable on the two year anniversary, being July 2008. The loan is secured by a general security agreement covering all assets of the Corporation and its subsidiaries (ii) (See Related Party Transactions - note 13).	428,240	423,104
Secured bridge loan with a face value of \$270,000 bearing interest at a rate of 12% per annum, payable annually and the issuance of 1,350,000 warrants resulting in an imputed rate of interest of 13%. The loan is repayable on the two year anniversary, being August 2008. The loan is secured by a general security agreement covering all assets of the Corporation and its subsidiaries (iii).	260,845	259,249
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.	22,155	25,515
Base rate plus one percent term loan, repayable in monthly payments of \$556 principal plus interest, maturing September 2018.	63,728	65,396
Base rate plus one percent term loan, repayable in monthly payments of principal plus interest, maturing July 2007.	2,000	3,500
	\$ 1,293,968	\$ 1,293,764
Less current portion	(539,657)	(540,936)
	\$ 754,311	\$ 752,828

- (i) The National Research Council Canada ("NRC") provided a contribution of \$292,000 under the Industrial Resources Assistance Program ("IRAP") for certain product development activities undertaken by VoiceIQ Inc., a predecessor company from which VIQ Solutions purchased its technology assets. 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.
- (ii) A value of \$41,653 has been attributed to the 2,275,000 warrants and has been included in contributed surplus. The difference between the face value and ascribed value of the debt, being the carrying value of the warrants, will be accreted over the two year life of the loan. The warrants have an exercise price of \$0.16 for the first year and \$0.24 for the second year.
- (iii) A value of \$12,951 has been attributed to the 1,350,000 warrants and has been included in contributed surplus. The difference between the face value and ascribed value of the debt, being the carrying value of

the warrants, will be accreted over the two year life of the loan. The warrants have an exercise price of \$0.16 for the first year and \$0.24 for the second year.

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, 2007 are as follows:

Balance December 31, 2005 – issued and outstanding	60,870,642	\$ 4,143,764
Issued on conversion of debenture (i)	5,111,111	920,000
Issued on exercise of special warrants (ii)	4,000,000	720,000
Issued for cash on private placements (iii)	3,090,000	587,100
Balance December 31, 2006 and March 31, 2007 – issued and outstanding	73,071,753	\$ 6,370,864

- (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 2005, \$360,000 of the debenture was converted into units. In January 2006, the remaining balance of the secured convertible debenture was converted into common shares and warrants of the Corporation.
- (ii) In January 2005, the Corporation issued 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. In accordance with the agreement, the special warrants were exercised in 2006. It is a condition of the management retention bonus that the special warrants or common shares issued on exercise thereof be held in escrow in accordance with the Tier 2 Issuer policies of the TSX Venture Exchange. As at March 31, 2007, 1,200,000 common shares issued on exercise of the special warrants remain in escrow.
- (iii) In April 2006, the Corporation announced the issuance of 3,090,000 shares at a price of \$0.19 per share for total proceeds of \$587,100.

As at March 31, 2007, common shares of the Corporation were reserved as follows:

	Price	Expiry Dates	Number
Options	\$0.60 - \$0.94	Apr 2008 – Mar. 2009	1,048,333
	\$0.22	Apr 2009 – Mar. 2010	648,000
	\$0.20 - \$0.27	Apr 2010 – Mar. 2011	2,620,000
	\$0.11 - \$0.15	Apr 2011 – Mar. 2012	1,451,250
			5,767,583
Warrants	\$0.30	Apr 2007 – Mar. 2008	3,555,555
	\$0.16 - \$1.07	Apr 2008 – Mar. 2009	3,970,000
			7,525,555
Total			13,293,138

The Corporation's stock option plan allows for the granting of options up to an aggregate amount equal to 10% 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, 2007, the Corporation had 3,926,723 options that had vested with a weighted average exercise price of \$0.38 per share. During the quarter, the Corporation granted 1,400,000 stock options to directors, officers and employees.

8. Contributed Surplus

	Three months ended March 31	
	2007	2006
Balance, beginning of period	\$ 488,781	\$ 986,266
Exercise of special warrants (note 6)	-	(18,000)
Stock-based compensation (note 9)	40,506	29,228
Balance, end of period	\$ 529,287	\$ 997,494

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 \$40,506 which was included in selling and administrative expense, with a corresponding charge to contributed surplus. The Corporation issued 1,400,000 options during the period. 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 2007	March 31 2006
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	
	2007	2006
Net loss for the period - basic and diluted	\$ (175,343)	\$ (667,777)
Weighted average number of common shares outstanding during the period - basic and diluted	73,071,753	69,413,852
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.01)

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

- 3,926,723 stock options with a weighted average exercise price of \$0.38 per share (note 7); and
- 7,525,555 warrants with exercise prices ranging from \$0.16 to \$1.07 (note 7).

11. Supplemental Cash Flow Information

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

	Three months ended March 31	
	2007	2006
Receivables	\$ (223,476)	\$ (250,243)
Inventory	(62,748)	6,276
Prepaid expense	29,294	52,897
Payables and accruals	362,836	223,767
Deferred revenue	40,251	28,641
Total	\$ 146,157	\$ 61,338

During the period, interest paid and received was as follows:

Interest paid	\$ 13,141	\$ 12,274
Interest received	4,362	1,552

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, 2007		
	Computer Products & Services	Transcription Services	Total
Sales of reportable segments	\$ 805,472	\$ 2,500,571	\$ 3,306,043
Inter-segment sales	(3,920)	-	(3,920)
Sales to external customers	\$ 801,552	\$ 2,500,571	\$ 3,302,123
Gross profit	\$ 687,177	\$ 592,426	\$ 1,279,603
Segment income (loss)	\$ (79,693)	\$ (95,651)	\$ (175,344)
Segment assets	\$ 1,458,845	\$ 4,899,158	\$ 6,358,003

	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)
Sales to external customers	\$ 313,646	\$ 2,156,412	\$ 2,470,058
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

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

	3 months ended March 31, 2007		
	Sales	Property and Equipment	Goodwill
Canada	\$ 370,158	\$ 438,999	\$ 748,611
Australia	2,215,166	570,554	1,534,853
United States and other	716,799	-	-
	\$ 3,302,123	\$ 1,009,553	\$ 2,283,464

	3 months ended March 31, 2006		
	Sales	Property 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

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 following related party transactions occurred during the period:

- The bridge loan provided to the Corporation in 2006 with a face value of \$455,000 included loans from a senior officer of the Corporation in the amount of \$50,000 (see note 6). No interest was paid on the bridge loan during the period.
- The unsecured amount owing to the vendors of International Reporting includes loans from certain senior officers and employees of International Reporting (see note 5). No interest was paid on the unsecured loan during the period.