



VIQ Solutions Inc.

Interim Consolidated Financial Statements
For the three months ended March 31, 2009



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*"

Signed "*Karen Hersh*"

David Outhwaite
President and Chief Executive Officer

Karen Hersh
Chief Financial Officer

May 27, 2009

VIQ Solutions Inc.
Interim Consolidated Balance Sheets
(Unaudited)

	March 31 2009	December 31 2008
Assets		
Current		
Cash	\$ 931,004	\$ 967,693
Receivables	1,606,757	1,760,732
Inventories	28,900	81,287
Prepaid expenses	66,497	86,154
	<u>2,633,158</u>	<u>2,895,866</u>
Restricted cash	130,675	128,027
Property and equipment	743,596	766,154
Goodwill	2,182,104	2,153,191
Future tax assets	179,810	176,183
	<u>\$ 5,869,343</u>	<u>\$ 6,119,421</u>
Liabilities		
Current		
Payables and accruals	\$ 1,449,587	\$ 1,516,179
Short-term debt (note 6)	160,000	220,000
Deferred revenue and deferred lease incentives	282,327	234,516
Current portion of long-term debt (note 7)	502,573	499,336
Current portion of obligations under capital lease	63,752	68,478
	<u>2,458,239</u>	<u>2,538,509</u>
Obligations under capital lease	26,192	37,302
Deferred lease incentives	5,223	10,726
Long-term debt (note 7)	43,712	45,380
	<u>2,533,366</u>	<u>2,631,917</u>
Shareholders' Equity		
Capital stock (note 8)	8,650,517	8,650,517
Contributed surplus (note 9)	1,195,080	1,139,250
Accumulated other comprehensive loss	(52,183)	(81,305)
Deficit	(6,457,437)	(6,220,958)
	<u>3,335,977</u>	<u>3,487,504</u>
	<u>\$ 5,869,343</u>	<u>\$ 6,119,421</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	
	2009	2008
Sales	\$ 2,545,879	\$ 2,834,698
Cost of sales	1,544,555	1,792,748
Gross profit	1,001,324	1,041,950
Expenses		
Selling and administrative	1,063,123	1,107,810
Research and development	127,500	114,954
	1,190,623	1,222,764
Loss before the following items	(189,299)	(180,814)
Amortization of property and equipment	(63,266)	(65,201)
Interest income	3,197	6,379
Interest on long-term debt	(18,768)	(62,864)
Interest and bank charges	(6,625)	(5,369)
Foreign exchange gain	38,282	54,636
Net loss for the period	\$ (236,479)	\$ (253,233)
Deficit, beginning of period	(6,220,958)	(5,937,732)
Deficit, end of period	\$ (6,457,437)	\$ (6,190,965)
Net loss per common share – basic and diluted (note 11)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding (note 11)	82,876,085	73,636,654

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

VIQ Solutions Inc.
Interim Consolidated Statements of Comprehensive Loss
and Accumulated Other Comprehensive Income and Loss
(Unaudited)

	Three months ended March 31	
	2009	2008
Net loss for the period	\$ (236,479)	\$ (253,233)
Other comprehensive income (loss)		
Unrealized gain on translating financial statements of self-sustaining foreign operations	29,122	100,993
Comprehensive loss	\$ (207,357)	\$ (152,240)
Accumulated other comprehensive loss, beginning of period	\$ (81,305)	\$ (60,564)
Other comprehensive income	29,122	100,993
Accumulated other comprehensive income (loss), end of period	\$ (52,183)	\$ 40,429

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	
	2009	2008
Cash flows from operating activities		
Net loss for the period	\$ (236,479)	\$ (253,233)
Amortization	63,266	65,201
Interest accretion on bridge loans	3,236	14,634
Stock-based compensation (note 10)	55,830	40,346
Amortization of deferred lease incentive	(5,503)	(3,566)
Unrealized foreign gain	(22,555)	(104,501)
	(142,205)	(241,119)
Changes in non-cash operating working capital (note 12)	207,238	13,246
Cash flows from (used in) operating activities	65,033	(227,873)
Cash flows used in investing activities		
Purchase of property and equipment	(34,847)	(16,212)
Cash flows (used in) from financing activities		
Advances in short-term debt	-	40,000
Repayment of short-term debt	(60,000)	(223,878)
Repayment of long-term debt	(1,668)	(435,248)
Proceeds from units issued for cash	-	787,800
Proceeds from warrants exercised for cash	-	304,000
Capital lease payments	(15,836)	(11,807)
Cash flows from (used in) financing activities	(77,504)	460,867
Effect of exchange rate changes on cash	10,629	20,055
Increase (decrease) in cash during the period	(36,689)	236,837
Cash, beginning of period	967,693	314,078
Cash, end of period	\$ 931,004	\$ 550,915

Supplemental Information (note 12)

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, the United Kingdom, Australia, South Africa, and Denmark.

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 year.

Historically, management has consistently been able to raise sufficient funds to finance its operations, and has raised capital in the amount of \$2,548,800 in 2008 through a private placement and the exercise of warrants. Further, the Corporation has positive working capital as at March 31, 2009. The Corporation’s ability to continue as a going concern is dependent on its ability to achieve and maintain profitable operations and to obtain future financing.

3. Summary of Significant Accounting Policies

Accounting Principles

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and follow the same accounting policies as for the financial statements for the year ended December 31, 2008, 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, 2008.

4. Adoption of New Accounting Policies

The Corporation has adopted the following change to its accounting policies:

Goodwill and Intangibles

CICA Handbook Section 3064, Goodwill and Intangible Assets, replaces Section 3062 and establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets to converge with international financial reporting. This standard is effective for the Corporation for interim and annual financial statements beginning on January 1, 2009. The adoption of this policy has not had an impact on the financial statements.

The following changes will be adopted in the future:

International Financial Reporting Standards

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (“IFRS”) effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Corporation, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 “Inventories” and IAS 38 “Intangible assets”, thus mitigating the impact of adopting IFRS at the mandatory transition date. The Corporation continues to monitor and assess the impact that the adoption of IFRS will have on its financial statements.

5. Risk Management for Financial Instruments

Fair Values

The estimated fair values of cash, receivables, restricted cash, short-term debt and payables and accruals approximate their carrying values due to the relatively short-term nature of the instruments and/or floating interest rates on the instruments. The estimated fair values of long-term debt and obligations under capital lease also approximate carrying values due to the fact that effective interest rates are not significantly different from market rates.

Liquidity

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation’s approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by continuously monitoring actual and budgeted cash flows.

The Corporation has sustained losses over the last number of years and has financed these losses mainly through a combination of equity and debt offerings. As at March 31, 2009, the Corporation has contractual obligations relating to accounts payable and accrued liabilities, short-term debt, obligations under capital lease and long-term debt of which a substantial portion will mature in the next year. Management believes that it has raised sufficient cash during the period to meet all of its contractual debt that is coming due for the balance of 2009 and has the ability to fund any operating losses that may occur in 2009. There are, however, a number of uncertainties related to the timing and use of the Corporation’s cash resources and actual results may differ from expected results.

Credit Risk

Credit risk arises from the potential that a customer or counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from its customers; however, the Corporation has a significant number of customers, minimizing the concentration of credit risk. Further, a large majority of the Corporation’s customers are economically stable organizations such as government agencies or departments with whom the Corporation transacts with on a regular basis, further reducing the overall credit risk.

Historically, losses under trade receivables have been insignificant. In order to minimize the risk of loss from trade receivables, the Corporation’s extension of credit to customers involves review and approval by senior management and conservative credit limits for new or higher risk accounts.

The Corporation reviews its trade receivable accounts regularly and writes down these accounts to their expected realizable values, by making an allowance for doubtful receivables, as soon as the account is determined not to be fully collectible. The allowance is charged against earnings. Shortfalls in collections are applied against this

provision. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern issues.

The Corporation's exposure to credit risk for trade receivables by geographic area as at March 31, 2009 was as follows:

	March 31, 2009
Australia	57%
Canada	7%
United States	25%
United Kingdom	10%
Rest of world	1%
	100%

Foreign Currency Risk

Foreign currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily the U.S. and Australian dollars and Great Britain pounds with a large portion of the Corporation's sales and operating costs being realized in these foreign currencies. The assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Corporation's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian, United States and Australian dollars.

The Corporation's Australian subsidiary is a self-sustaining entity and accordingly, creates an economic hedge as the majority of revenue and expenses for this entity are transacted in Australian dollars. As of March 31, 2009, fluctuations of the Australian dollar relative to the Canadian dollar of 5% would impact the net income and comprehensive income by approximately \$3,700 and \$4,600 respectively for the three month period ended March 31, 2009.

The Corporation's computer products and services operations are exposed to exchange rate changes in the U.S. dollar relative to the Canadian dollar since a substantial portion of this business unit's sales are denominated in U.S. dollars with most of the related expenses in Canadian dollars. A fluctuation of the U.S. dollar of 5% would have an effect on net income of approximately \$12,500 for the three month period ended March 31, 2009.

The Corporation's computer products and services operations are exposed to exchange rate changes in the Great Britain pound relative to the Canadian dollar since a portion of this business unit's sales are denominated in Great Britain pounds with most of the related expenses in Canadian dollars. A fluctuation of the Great Britain pound of 5% would have an effect on net income of approximately \$4,300 for the three month period ended March 31, 2009.

The Corporation does not currently use foreign exchange contracts to hedge its exposure of its foreign currencies cash flows as management has determined that this risk is not significant at this point in time. The Corporation recognized a foreign exchange gain of \$38,282 for the three month period ended March 31, 2009 (2008 - \$54,636).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk is primarily related to the Corporation's interest bearing debts on its balance sheet. A significant portion of the Corporation's short-term and long-term debt has fixed interest rates, thereby minimizing the Corporation's exposure to cash flow interest rate risk.

Capital Management

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a

conservative approach toward financial leverage and management of financial risk.

The Corporation's capital is composed of total shareholders' equity. The Corporation's primary uses of capital are to finance operating losses, capital expenditures and increases in non-cash working capital. The Corporation currently funds these requirements from internally generated cash flows and cash raised through past share issuances and long-term debt as required. The Corporation's objectives when managing capital are to ensure that the Corporation will continue to have enough liquidity so it can provide its products and services to its customers and returns to its shareholders.

The Corporation monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance the Corporation's ongoing growth, the Corporation does not currently pay a dividend to holders of its common shares.

6. Short-term Debt

	March 31 2009	December 31 2008
Unsecured amount owing to the vendors of International Reporting bearing interest at 7% with no specified repayment terms (see Related Party Transactions – note 14).	\$ 160,000	\$ 220,000
	<u>\$ 160,000</u>	<u>\$ 220,000</u>

The Corporation has a \$100,000 line of credit facility, bearing interest at a variable rate of prime plus 1.5%, secured by a general security agreement covering all the assets of International Reporting. As at March 31, 2009, the Corporation had no balance outstanding on the line of credit.

7. Long-term Debt

	March 31 2009	December 31 2008
Secured bridge loan with a face value of \$500,000 bearing interest at a rate of 12% per annum, payable annually and the issuance of 1,250,000 warrants resulting in an imputed rate of interest of 13%. The loan is repayable on the two-year anniversary, being July 2009. The loan is secured by a general security agreement covering all assets of the Corporation (i).	\$ 495,901	\$ 492,664
Base rate plus one percent term loan, repayable in monthly payments of \$556 principal plus interest, maturing September 2018.	50,384	52,052
	<u>546,285</u>	<u>544,716</u>
Less current portion	<u>(502,573)</u>	<u>(499,336)</u>
	<u>\$ 43,712</u>	<u>\$ 45,380</u>

- (i) A value of \$26,250 has been attributed to the 1,250,000 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, is being accreted over the two year life of the loan. The warrants had an exercise price of \$0.16 for the first year and \$0.24 for the second year.

8. 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, 2009 are as follows:

	Number of shares	Amount
Balance December 31, 2006 and 2007 – issued and outstanding	73,071,753	\$ 6,370,864
Issued upon exercise of warrants (i)	4,875,000	1,150,853
Issued on private placements (ii)	4,929,332	1,128,800
Balance December 31, 2008 and March 31, 2009 – issued and outstanding	82,876,085	\$ 8,650,517

- (i) In 2008, 4,875,000 warrants were exercised for net proceeds of \$1,070,000. The attributed value of the warrants in the amount \$80,853 was reallocated from contributed surplus to capital stock when the warrants were exercised.
- (ii) In 2008, the Corporation issued 4,929,332 units at a price of \$0.30 per unit for net proceeds of \$1,478,800. 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 \$0.45 for a period of 24 months from the closing date. A value of \$350,000 has been attributed to the 2,464,665 warrants and has been included in contributed surplus.

As at March 31, 2009, common shares of the Corporation were reserved as follows:

	Price	Expiry Dates	Number
Options	\$0.22	Apr. 2009 – Mar. 2010	623,000
	\$0.19 - \$0.27	Apr. 2010 – Mar. 2011	2,600,000
	\$0.13 - \$0.15	Apr. 2011 – Mar. 2012	1,421,250
	\$0.09 - \$0.16	Apr. 2012 – Mar. 2013	187,500
	\$0.19 - \$0.38	Apr. 2013 – Mar. 2014	2,421,500
			7,253,250
Warrants	\$0.45	Apr. 2009 – Mar. 2010	2,262,999
	\$0.45	Apr. 2010 – Mar. 2011	201,666
			2,464,665
Total			9,717,915

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, 2009, the Corporation had 5,576,409 options that had vested with a weighted average exercise price of \$0.20 per share. During the period, the Corporation granted 1,221,500 stock options to employees, officers and directors.

9. Contributed Surplus

	Three months ended March 31	
	2009	2008
Balance, beginning of period	\$ 1,139,250	\$ 683,536
Stock-based compensation (note 10)	55,830	40,346
Value of warrants from private placement	-	316,000
Balance, end of period	\$ 1,195,080	\$ 1,039,882

10. 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 three month period ended March 31, 2009 was \$55,830 (2008 - \$40,346) which was included in selling and administrative expense, with a corresponding charge to contributed surplus. The Corporation issued 1,221,500 options during the period. The weighted average fair value of the options granted during the period was \$0.23 per option.

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

	March 31 2009	March 31 2008
Risk free interest rate (%)	1.35	2.63
Expected volatility (%)	108	110
Expected life (in years)	2	2
Expected dividends	Nil	Nil

11. Loss per Common Share

	For the three months ended March 31	
	2009	2008
Net loss for the period - basic and diluted	\$ (236,479)	\$ (253,233)
Weighted average number of common shares outstanding during the period - basic and diluted	82,876,085	73,636,654
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.00)

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

- 7,253,250 stock options with a weighted average exercise price of \$0.23 per share (note 8); and
- 2,464,665 warrants with exercise prices of \$0.45 (note 8).

12. Supplemental Cash Flow Information

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

	Three months ended March 31	
	2009	2008
Receivables	\$ 153,976	\$ (260,589)
Inventory	52,387	17,976
Prepaid expense	19,657	28,882
Payables and accruals	(66,593)	113,979
Deferred revenue	47,811	112,998
Total	\$ 207,238	\$ 13,246

Other supplemental cash flow information is as follows:

	Three months ended March 31	
	2009	2008
Cash received for interest	\$ 3,197	\$ 6,379
Cash paid for interest	\$ 1,496	\$ 36,164
Income taxes paid	\$ -	\$ -
Property and equipment acquired under capital lease	\$ -	\$ -

13. 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 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.

	Three months ended March 31, 2009		
	Computer Products & Services	Transcription Services	Total
Revenue from external customers	\$ 429,936	\$ 2,115,943	\$ 2,545,879
Gross profit	\$ 313,400	\$ 687,924	\$ 1,001,324
Segment Income (loss)	\$ (116,176)	\$ 80,677	\$ (35,499)
Corporate Expenses			\$ (200,980)
Net loss for the period			<u>\$ (236,479)</u>

Other segmented disclosure:

Interest and bank charges	\$ 758	\$ 5,867	\$ 6,625
Interest income	\$ 272	\$ 2,925	\$ 3,197
Amortization of property and equipment	\$ 11,234	\$ 52,032	\$ 63,266
Income tax expense	\$ -	\$ -	\$ -
Additions to property and equipment	\$ 26,655	\$ 8,192	\$ 34,847
Segment assets	\$ 1,332,488	\$ 4,536,855	\$ 5,869,343

	Three months ended March 31, 2008		
	Computer Products & Services	Transcription Services	Total
Revenue from external customers	\$ 350,649	\$ 2,484,049	\$ 2,834,698
Gross profit	\$ 286,782	\$ 755,168	\$ 1,041,950
Segment Income (loss)	\$ (146,443)	\$ 89,910	\$ (56,533)
Corporate Expenses			\$ (196,700)
Net loss for the period			<u>\$ (253,233)</u>

Other segmented disclosure:

Interest and bank charges	\$ 419	\$ 4,950	\$ 5,369
Interest income	\$ 66	\$ 6,313	\$ 6,379
Amortization of property and equipment	\$ 9,896	\$ 55,305	\$ 65,201
Income tax expense	\$ -	\$ -	\$ -
Additions to property and equipment	\$ 1,471	\$ 14,741	\$ 16,212
Segment assets	\$ 876,717	\$ 5,289,275	\$ 6,165,992

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

	Three months ended March 31, 2009		
	Sales	Property and Equipment	Goodwill
Canada	\$ 355,559	\$ 362,397	\$ 748,611
Australia	1,840,823	381,199	1,433,493
United States	251,292	-	-
United Kingdom	85,386	-	-
Other	12,819	-	-
	\$ 2,545,879	\$ 743,596	\$ 2,182,104

	Three months ended March 31, 2008		
	Sales	Property and Equipment	Goodwill
Canada	\$ 562,509	\$ 384,957	\$ 748,611
Australia	2,199,211	498,822	1,563,043
United States	56,662	-	-
United Kingdom	16,316	-	-
Other	-	-	-
	\$ 2,834,698	\$ 883,779	\$ 2,311,654

14. Related Party Transactions

The following related party transaction occurred during the period:

- (i) The unsecured amount owed to the vendors of International Reporting included loans from certain senior officers and employees of International Reporting. During the period, no interest (2008 - nil) was paid in connection with the unsecured loans (see note 6).