



VIQ Solutions Inc.

First Quarter 2005 Management's Discussion and Analysis of
Financial Condition and Results of Operations

VIQ Solutions Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Period Ended March 31, 2005

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of VIQ Solutions Inc. ("VIQ Solutions" or the "Corporation") for the three months ended March 31, 2005. The Corporation's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Unless the context otherwise requires, all references to "VIQ Solutions", "our", "us", and "we" refers to VIQ Solutions Inc., and its subsidiaries. This MD&A is dated May 30, 2005 and all amounts herein are presented in Canadian dollars unless otherwise stated.

Forward-looking Statements and Risk Factors

This MD&A contains forward-looking statements, including statements regarding the future success of our business and technology strategies, and future market opportunities. These statements are neither promises or guarantees, but involve known and unknown risks and uncertainties that may cause our actual results, and levels of activities to be materially different from any future results or levels of activities expressed or implied by these forward-looking statements. These risks include risks related to our revenue growth, operating results, industry and products, and well as other factors discussed below and elsewhere in this MD&A. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. Readers are expected to review our 2004 MD&A section entitled "Risk Factors" for a more complete discussion of factors that could affect our future performance.

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.

Under Canadian generally accepted accounting principles ("GAAP"), a company is required to comprehensively revalue its assets and liabilities after a financial reorganization that results in a substantial realignment of the equity and non-equity interest in the company. As there was no substantial change in control of the Corporation subsequent to the Arrangement, the assets and liabilities acquired from VoiceIQ have not been revalued.

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

Overview

We develop software and provide solutions that capture, digitize, compress and store voice from a variety of sources, including microphones, telephones and hand held recorders. Our 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 work flow management switch, provides anywhere anytime transcription work flow capabilities worldwide.

Spark & Cannon, our services division provides transcription services to court and quasi-judicial clients in Australia, New Zealand and other countries. With five offices across Australia, Spark & Cannon provides high quality and fast turn-around transcripts of court and legislative reporting services.

Critical Accounting Policies and Estimates

General

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are based upon management's historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates. The Corporation's critical accounting policies have been reviewed and discussed with the Corporation's Audit Committee.

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. Prior to the Plan, VoiceIQ incurred significant operating losses, and, as at December 31, 2004, the Corporation had a working capital deficiency.

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 director's 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 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.

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 Ltd. and VIQ Australia Pty Ltd.'s wholly-owned subsidiaries Spark & Cannon Pty Ltd., Spark & Cannon (SA) Pty Ltd. (collectively referred to as "Spark & Cannon") and VoiceIQ NZ 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 notes receivable and 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.

Acquisition of Business Assets from VoiceIQ

On December 23, 2004, the Corporation signed an asset purchase agreement to acquire all of the assets of VoiceIQ and its subsidiaries and assume all of VoiceIQ's liabilities to the extent that they were not compromised under the CCAA. The aggregate purchase price was satisfied by the issuance of 36,776,310 common shares of the Corporation. 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. Further, the Corporation reissued the stock options and warrants that were outstanding as of December 23, 2004 under the same terms and conditions that they existed in VoiceIQ.

Under Canadian GAAP, a company is required to comprehensively revalue its assets and liabilities after a financial reorganization that results in a substantial realignment of the equity and non-equity interest in the company. As there was no substantial change in control of the Corporation subsequent to the Arrangement, the assets and liabilities acquired from VoiceIQ have not been revalued.

Accordingly, the value of the 36,776,310 common shares and the additional shares issued to the creditors of VoiceIQ was determined based on the carrying value of the net assets acquired at the time of the acquisition. The results of VoiceIQ's operations have been included in the consolidated financial statements since the agreement took effect on December 23, 2004.

Results of Operations for the three-month period ended March 31, 2005

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

Operating results for the three-month period were as follows:

Net sales	\$2,544,834
Gross profit	\$934,030
Net loss	\$1,616,299
Net loss per common share	\$0.03
Cash loss from operations	\$733,725

Stock-based compensation expense

Stock-based compensation was \$84,336 in the first quarter of 2005, representing the expense of option grants carried forward from VoiceIQ as contemplated in the Arrangement and option grants in the first quarter of 2005.

Management Bonus

During the quarter, the Corporation issued 4,000,000 special warrants to management in recognition of prior contributions to the Corporation as contemplated in the Arrangement. The 4,000,000 special warrants were issued with an ascribed value of \$0.18 and 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. The special warrants have an ascribed value of \$720,000 and have been fully expensed in the period.

Shares Outstanding

For the three-month period ended March 31, 2005, the weighted average number of shares used in calculating the loss per share was 53,540,065. The number of shares outstanding as at March 31, 2005 was 58,767,642. Options granted under our stock option plan, outstanding warrants and special warrants have not been included in the calculation of the diluted loss per share as the effect would be anti-dilutive.

Stock options outstanding were 2,539,333 as at March 31, 2005, of which 1,320,666 were exercisable. Warrants and special warrants outstanding at March 31, 2005 were 12,036,077 and 4,000,000 respectively.

Liquidity and Capital Resources

As at March 31, 2005, the Corporation had \$2,792,703 of cash and cash equivalents. Cash and cash equivalents used in operating activities were \$1,205,437 during the period primarily due to operating losses for the period and the repayment of liabilities assumed by VoiceIQ. Cash and cash equivalents used in investing activities were \$69,404 for the purchase of fixed assets. Cash and cash equivalents provided from financing activities were \$2,231,884 during the period primarily from the issuance of shares and a \$1.28 million convertible debenture.

We intend to use our funds to meet net funding requirements for the development and commercialization of our computer products and transcription services based on anticipated market demand. Our actual funding requirement will vary depending on a variety of factors, including our success in executing our business plan, the progress of our research and development efforts, our commercial sales and our ability to manage our working capital requirements. We believe that our existing cash balances and cash generated from operations will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for the foreseeable future.

Contractual Obligations

There has been no change to our contractual obligations that are outlined in our MD&A dated December 31, 2004.

Long-term Debt

As at March 31, 2005, we did not have any long-term debt.

Related party Transactions

The 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 convertible debenture.

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.

Outlook and Strategy

With the corporate restructuring and the refinancing of the Corporation successfully completed, we are well positioned to capitalize on the enormous potential and heightened interest in our software solutions in North America and globally.

We are working to develop new partnerships and expand existing partnerships among large systems integrators and strategic entry point partners. These partners have geographic and technical presence in the market and accelerate our ability to attain and keep new contracts. As these relationships flourish, they will result in valuable and long-term recurring revenues for the Corporation.

VIQ Solutions achieved a major commercial milestone by successfully installing and piloting the world's first automated wireless court reporting and transcription solution, NetScribe. Netscribe provides a fully automated service for clients to capture, store, transfer and transcribe digital audio files. This dramatically increases the market opportunities for the Corporation to win all forms of electronic Court reporting around the world including remote location applications, near real time transcription needs, hearings, tribunals and quasi-judicial needs. Netscribe will also introduce a new transaction based recurring revenue model to VIQ Solutions. Specifically, customers will be provided with our audio capture software with Netscribe to manage all digital audio traffic; these customers will be billed based on usage of transcription services or web-based tools. An example of this is the Corporation's recent announcement of a new VAR partnership with WUSF, a public broadcast organization in the state of Florida, receiving certification as a supplier to the state of Florida and finalizing an integrated solutions contract for nine hearing rooms in Florida.