# VIQ Solutions Inc.

Second Quarter 2015 Condensed Consolidated Interim Financial Statements and Results of Operations

(Expressed in Canadian dollars)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED 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 unaudited condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of unaudited condensed consolidated interim financial statements by the Company's auditor.

Signed "*Sebastien Paré*"

Sebastien Paré
President and Chief Executive Officer

August 26, 2015

# VIQ Solutions Inc.
## Condensed Consolidated Interim Balance Sheets
(Expressed in Canadian dollars)
(Unaudited)

| | June 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 902,844 | $ 446,950 |
| Trade and other receivables | 1,036,084 | 973,691 |
| Current portion of note receivable (note 6) | 133,157 | - |
| Inventories | 4,552 | 1,830 |
| Prepaid expenses | 70,314 | 66,904 |
| Assets held for sale | - | 433,597 |
| | 2,146,951 | 1,922,972 |
| Non-current assets | | |
| Restricted cash | 113,832 | 108,974 |
| Note receivable (note 6) | 72,048 | - |
| Property and equipment | 333,691 | 387,245 |
| Goodwill | 804,546 | 793,661 |
| Deferred tax assets | 317,387 | 313,093 |
| Assets held for sale | - | 745,256 |
| | $ 3,788,455 | $ 4,271,201 |
| **Liabilities** | | |
| Current liabilities | | |
| Trade and other payables | $ 958,271 | $ 1,074,084 |
| Short-term debt (note 7) | 500,000 | 700,000 |
| Current portion of long-term debt (note 8) | 159,973 | - |
| Provisions | 516,260 | 501,557 |
| Unearned revenue | 414,426 | 186,873 |
| Deferred lease incentives | - | 9,041 |
| Current portion of obligations under finance lease | 90,488 | 95,740 |
| Liabilities held for sale | - | 126,201 |
| | 2,639,418 | 2,693,496 |
| Non-current liabilities | | |
| Long-term debt (note 8) | 213,821 | - |
| Provisions | 80,848 | 86,184 |
| Obligations under finance lease | 43,360 | 88,546 |
| Liabilities held for sale | - | 2,678 |
| Total liabilities | 2,977,447 | 2,870,904 |
| **Equity** | | |
| Capital stock | 11,578,213 | 11,578,213 |
| Contributed surplus | 1,945,358 | 1,905,772 |
| Accumulated other comprehensive income (loss) | 79,041 | (13,440) |
| Deficit | (12,791,604) | (12,070,248) |
| | 811,008 | 1,400,297 |
| Total equity and liabilities | $ 3,788,455 | $ 4,271,201 |

Going Concern Uncertainty (note 2)

Approved by the Board — Signed "*George Kempff*" George Kempff, Director — Signed "*Sebastien Paré*" Sebastien Paré, CEO and Director

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

# VIQ Solutions Inc.
## Condensed Consolidated Interim Statements of Comprehensive Income and Loss
(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended June 30 **2015** | 2014 | Six months ended June 30 **2015** | 2014 |
|---|---|---|---|---|
| **Revenue** | **$ 2,227,043** | **$ 2,688,437** | **$ 4,661,126** | **$ 5,287,377** |
| Cost of sales | 1,486,539 | 1,710,231 | 2,976,230 | 3,335,491 |
| Gross profit | 740,504 | 978,206 | 1,684,896 | 1,951,886 |
| Expenses | | | | |
| Selling and administrative expenses (note 10) | 946,795 | 1,016,652 | 2,030,868 | 2,029,729 |
| Research and development expenses | 196,694 | 148,204 | 383,029 | 268,602 |
| | 1,143,489 | 1,164,856 | 2,413,897 | 2,298,331 |
| Loss from continuing operations | (402,985) | (186,649) | (729,001) | (346,444) |
| Finance income (loss) | | | | |
| Interest income | 4,589 | 2,965 | 11,160 | 5,808 |
| Interest expense | (22,611) | (20,903) | (40,379) | (34,585) |
| Foreign exchange gain (loss) | 10,623 | (8,462) | 43,459 | (10,289) |
| Net finance income (loss) from continuing operations | (13,994) | (26,401) | 7,645 | (39,067) |
| Net loss from continuing operations for the period | (416,979) | $ (213,050) | $ (721,356) | $ (385,511) |
| Net income from discontinued operations for the period | - | 33,272 | - | 124,652 |
| **Net loss for the period** | **$ (416,979)** | **$ (179,778)** | **$ (721,356)** | **$ (260,859)** |
| Exchange differences on translating foreign operations | (10,151) | 50,322 | 92,481 | 98,952 |
| **Comprehensive loss for the period** | **$ (427,130)** | **$ (129,456)** | **$ (628,875)** | **$ (161,907)** |
| **Net loss per share** | | | | |
| Basic and diluted (note 11) | **$ (0.00)** | **$ (0.00)** | **$ (0.01)** | **$ (0.00)** |
| Weighted average number of common shares outstanding - basic (note 11) | 90,957,000 | 90,957,000 | 90,957,000 | 90,957,000 |
| Weighted average number of common shares outstanding - diluted (note 11) | 90,957,000 | 90,957,000 | 90,957,000 | 90,957,000 |

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

# VIQ Solutions Inc.
## Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

| | Capital stock | | Contributed surplus | Deficit | Accumulated other comprehensive income (loss) | Total equity |
|---|---|---|---|---|---|---|
| | Number | Amount | | | | |
| **Balance at January 1, 2014** | 90,957,000 | $11,578,213 | $1,865,695 | $(11,031,989) | $(8,161) | $2,403,758 |
| Comprehensive income (loss) for the period | - | - | - | (385,511) | 98,952 | (286,559) |
| Comprehensive income from discontinued operations | - | - | - | 124,652 | - | 124,652 |
| Stock-based compensation (note 10) | - | - | 23,263 | - | - | 23,263 |
| **Balance at June 30, 2014** | 90,957,000 | 11,578,213 | 1,888,958 | (11,292,848) | 90,791 | 2,265,114 |
| Comprehensive loss for the period | - | - | - | (815,540) | (104,231) | (919,771) |
| Comprehensive income (loss) from discontinued operations for the period | - | - | - | 38,140 | - | 38,140 |
| Stock-based compensation | - | - | 16,814 | - | - | 16,814 |
| **Balance at December 31, 2014** | 90,957,000 | 11,578,213 | 1,905,772 | (12,070,248) | (13,440) | 1,400,297 |
| Comprehensive income (loss) for the period | - | - | - | (721,356) | 92,481 | (628,875) |
| Fair value of warrants issued with bridge loan (note 8) | - | - | 32,713 | - | - | 32,713 |
| Stock-based compensation (note 10) | - | - | 6,873 | - | - | 6,873 |
| **Balance at June 30, 2015** | 90,957,000 | $ 11,578,213 | $ 1,945,358 | $(12,791,604) | $79,041 | $811,008 |

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

# VIQ Solutions Inc.
## Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Cash provided by (used in):** | | | | |
| **Operating activities** | | | | |
| Net loss for the period | $ (416,979) | $ (213,050) | $ (721,356) | $ (385,511) |
| Items not affecting cash: | | | | |
| Depreciation | 49,243 | 44,469 | 87,980 | 90,944 |
| Stock-based compensation (note 10) | 2,721 | 5,712 | 6,873 | 23,263 |
| Gain on disposal of property and equipment | - | - | (7,269) | - |
| Provisions | (13,628) | (27,452) | (5,336) | (6,813) |
| Interest accretion on bridge loan | 1,302 | 1,125 | 11,275 | 2,006 |
| Amortization of deferred lease incentive | (4,554) | (5,239) | (9,165) | (7,969) |
| Unrealized foreign exchange loss (gain) | 523 | 4,436 | 47,727 | (20,779) |
| Changes in non-cash operating working capital (note 12) | 85,805 | (44,122) | 57,917 | (60,013) |
| Cash used in operating activities | (295,567) | (234,121) | (531,354) | (364,872) |
| Cash used in discontinued operations | - | (80,598) | - | (68,312) |
| | (295.567) | (314,719) | (531,354) | (433,184) |
| **Investing activities** | | | | |
| Purchase of property and equipment, net | (14,047) | (3,413) | (21,468) | (14,162) |
| Change in restricted cash | (3,363) | (2,110) | (3,363) | 42,190 |
| Discontinued operations | - | - | - | (3,413) |
| Cash provided by (used in) investing activities | (17,410) | (5,523) | (24,831) | 24,615 |
| **Financing activities** | | | | |
| Repayment of short-term debt | - | (350,000) | (350,000) | (350,000) |
| Advances of short-term debt | 150,000 | 850,000 | 150,000 | 850,000 |
| Advances of long-term debt | 405,205 | - | 405,205 | - |
| Note receivable | 32,617 | - | (205,205) | - |
| Finance lease payments | (26,461) | (27,254) | (52,644) | (58,775) |
| Proceeds from sale of subsidiary | - | - | 1,049,975 | - |
| Discontinued operations | - | (5,673) | - | (11,346) |
| Cash provided by financing activities | 561,361 | 467,073 | 997,331 | 429,879 |
| **Net increase in cash during the period** | **248,384** | **146,831** | **441,146** | **21,310** |
| Cash, beginning of period | 655,892 | 696,670 | 446,950 | 789,197 |
| Effect of exchange rate changes on cash | (1,432) | (7,121) | 14,748 | 25,873 |
| Cash, end of period | $ 902,844 | $ 836,380 | $ 902,844 | $ 836,380 |
| less: Cash from discontinued operations | - | 213,819 | - | 213,819 |
| Cash, continuing operations | $ 902,844 | $ 622,561 | $ 902,844 | $ 622,561 |

Supplemental disclosure (note 12)

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

# VIQ Solutions Inc.
## Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)
(Unaudited)

### 1. Nature of Operations

VIQ Solutions Inc. ("VIQ Solutions" or the "Company") develops software solutions that capture, digitize and compress audio and video data, which is securely stored in a multi-tiered server system where it is easily searchable and shareable. The software can be used to securely manage the flow of digital files over virtually any computer network, including the Internet. The Company supplies, through a network of system integrators and channel partners, solutions to end-users including legislative assemblies, courthouses and quasi-judicial agencies. NetScribe, a sophisticated web-based workflow management switch, provides anywhere anytime transcription workflow capabilities worldwide.

The Company also provides recording and transcription services directly to a variety of clients including medical, courtrooms, legislative assemblies, hearing rooms, inquiries and quasi-judicial clients in numerous countries including Canada, the United Kingdom, the United States and Australia.

VIQ Solutions was incorporated by articles of incorporation in the province of Alberta in November 2004 and its registered office is Bankers Hall, 888 3rd St. S.W, Suite 1031, Calgary, Alberta, Canada, T2P 5C5. The Company's sales and development offices are located at 200 - 100 Allstate Parkway, Markham, Ontario, L3R 6H3. VIQ Solutions is a public company listed on the TSX Venture Exchange trading under the symbol "VQS".

### 2. Going Concern Uncertainty

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company 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 prior periods and during the current quarters.

Historically, management has consistently been able to raise sufficient funds to finance its operations through secured bridge loans and private placements and raised $555,205 through a secured bridge loan and two promissory notes during the period. The Company's ability to continue as a going concern is dependent on its ability to continue to achieve and maintain profitable operations and may require the Company to obtain future financing.

These condensed consolidated interim financial statements do not include any adjustments or disclosures that may result from the Company's inability to continue as a going concern. If the going concern assumption were not found to be appropriate for these condensed consolidated interim financial statements, adjustments might be necessary in the carrying values of assets and liabilities and the reported expenses and consolidated balance sheet classifications; such adjustments could be material.

### 3. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34. The Company has consistently applied the same accounting policies throughout all periods presented in these condensed consolidated interim financial statements. Certain prior period financial statement amounts have been reclassified to conform to current period presentation without impacting the total net loss and comprehensive net loss.

These condensed consolidated interim financial statements have been prepared on a historical cost basis and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2014 and 2013. These condensed consolidated interim financial statements were approved by the Board of Directors on August 26, 2015.

## 4. Significant Accounting Policies, Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated interim financial statements and notes to the unaudited condensed consolidated interim financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant estimates made by the Company include the determination of the recoverable amount of goodwill, amounts recorded as provisions, recognition of deferred tax assets, the provision for long-term service leave and other employee benefits and the determination of functional currency.

The significant accounting policies, estimates and judgments used in the preparation of these condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements and notes thereto for the year ended December 31, 2014 and 2013 as these condensed consolidated interim financial statements follow the same accounting policies and methods of application.

## 5. Accounting Standards and Amendments Issued but not yet Applied

The International Accounting Standards Board ("IASB") has issued accounting standards which have not yet been adopted by the Company. The accounting standards and amendments are the same accounting standards and amendments issued but not yet applied as noted in the consolidated financial statements of the year ended December 31, 2014 and 2013. The Company does not expect to adopt these new and amended standards before their effective dates.

## 6. Note Receivable

On January 9, 2015, the Company sold all of the issued and outstanding shares of International Reporting, one of the Company's transcription and reporting services subsidiaries, to Mr. Barry Prouse, the President of International Reporting (the "Transaction"). The Company received approximately $1.12 million in proceeds from the Transaction, in the form of $580,000 in cash consideration for the sale of the shares and the satisfaction by International Reporting of all intercompany payables in the amount of $540,000, through the payment of $200,000 cash and the issuance of a $70,000 unsecured promissory note which was repaid subsequent to the year end, and a $270,000 secured, interest-bearing, subordinated promissory note repayable on a monthly basis until December 15, 2016. During the three months ended June 30th, 2015 the Company recognized interest income of $3,078 and $6,595 for the six months ended June 30, 2015.

## 7. Short-term Debt

| | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|
| Secured bridge loan with a face value of $500,000 bearing interest at a rate of 13% per annum, payable at maturity. The loan is repayable in May 2016. The loan is secured by a general security agreement covering all assets of the Company (note 14). On May 7, 2015 the Company drew an additional $150,000 on the principal amount under its secured bridge loan from $350,000 to $500,000 and extended the maturity date from May 21, 2015 to May 1, 2016. | $ 500,000 | $ 700,000 |
| | $ 500,000 | $ 700,000 |

## 8. Long-term Debt

| | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|
| Unsecured term loan with a face value of $205,205 bearing interest at a rate of 10.5% per annum maturing in December 2016. In connection with the term loan 4,104,100 warrants were issued to the lender with an exercise price of $0.05 per share until December 4, 2016. | $ 182,174 | |
| Secured, subordinate term loan with a face value of $100,000 bearing interest at a rate of 10% per annum maturing in June 2017. | 100,000 | |
| Unsecured convertible note with a face value of $100,000 bearing interest at a rate of 10.5% per annum maturing in June 2017. The principal amount of the note is convertible into common shares at a conversion price of $0.10 per share. | 91,620 | |
| | $ 373,794 | - |
| Less current portion | 159,973 | - |
| | $ 213,821 | - |

## 9. Capital Stock

The Company's authorized capital consists of an unlimited number of common shares with no par value.

*Stock Option Plan*

The Company has an incentive stock option plan for its directors, officers, and employees. The Company'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 Company 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 Company's stock on the date of grant. As at June 30, 2015, the Company had 3,280,029 options (2014 - 3,830,667) that had vested with a weighted average exercise price of $0.18 per share (2014 - $0.28). The Company did not grant any stock options to employees, officers and directors during the three month period ended June 30, 2015 (2014 - nil).

As at June 30, 2015, common shares of the Company were reserved as follows:

| | Price | Expiry Dates | Number |
|---|---|---|---|
| Options | $0.43 - $0.50 | July 2015 - June 2016 | 769,000 |
| | $0.25 | July 2016 - June 2017 | 465,000 |
| | $0.10 | July 2017 - June 2018 | 705,500 |
| | $0.05 - $0.07 | July 2018 - June 2019 | 1,340,529 |
| Total | | | 3,280,029 |
| Warrants | $0.05 | December 2016 | 4,104,100 |
| Total | | | 7,384,129 |

## 10. Stock-based Compensation

The total compensation expense relating to stock options granted to directors, officers and employees for the three month and six month period ended June 30, 2015 was $2,721 and $6,873 and (2014 - $5,712 and $23,263) which was included in selling and administrative expense with a corresponding charge to contributed surplus.

## 11. Net loss per Share

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Numerator for basic and diluted loss per share: | | | | |
| Net loss from continuing operations | **$ (416,979)** | **$ (213,015)** | **$ (721,356)** | **$ (385,511)** |
| Net income from discontinued operations | - | 33,272 | - | 124,652 |
| **Net loss for the period** | **$ (416,979)** | **$(179,778)** | **$(721,356)** | **$(260,859)** |
| Denominator for basic loss per share: | | | | |
| Weighted average number of common shares outstanding | 90,957,000 | 90,957,000 | 90,957,000 | 90,957,000 |
| Effect of potential dilutive securities | - | - | - | - |
| Adjusted denominator for diluted loss per share | **90,957,000** | **90,957,000** | **90,957,000** | **90,957,000** |
| Basic and diluted loss from continuing operations per share | $ (0.00) | $ (0.00) | $ (0.01) | $ (0.00) |
| Basic and diluted net income from discontinued operations per share | $ 0.00 | $ 0.00 | $ 0.01 | $ 0.00 |
| Basic and diluted net loss per share | $ (0.00) | $ (0.00) | $ (0.01) | $ (0.00) |

The dilutive effect of outstanding stock options and warrants on loss per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company.

Excluded from the computation of diluted net loss per share for the three and six month periods ended June 30, 2015 were 3,820,029 stock options (2014 - 4,851,000) where the exercise prices were greater than the average market price of the common shares for the periods.

## 12. Supplemental Cash Flow Information

Components of the net change in non-cash working capital are as follows:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Trade and other receivables | $ 294,891 | $203,263 | $ (62,393) | $ 52,812 |
| Inventory | (2,766) | 36 | (2,722) | 3,086 |
| Prepaid expenses | (17,166) | (28,480) | (3,410) | (21,671) |
| Trade and other payables | (190,436) | (304,257) | (115,814) | (107,671) |
| Provisions | 65,268 | (28,820) | 14,703 | 38,629 |
| Unearned revenue | (63,986) | 7,698 | 227,553 | (25,198) |
| Total | $ 85,805 | $ (150,560) | $ 57,917 | $ (60,013) |

Other supplemental cash flow information is as follows:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Cash paid for interest | $ 22,611 | $ 21,231 | $ 30,406 | $ 29,982 |
| Cash received for interest | $ 1,686 | $ 2,902 | $ 4,565 | $ 5,745 |
| Property and equipment acquired under capital lease | - | $ 24,237 | - | $ 24,237 |

## 13. Segmented Financial Information

The Company operates within two business segments: the computer products and services segment, which develops, distributes and licenses computer-based digital solutions based on its proprietary technology; and the transcription services segment, which provides recording and transcription services. The Company'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 Company does not segregate sales and associated costs by individual software products. Accordingly, segmented information on revenue and associated costs is only provided for the full line of software solutions currently offered by the Company.

Financial information by reportable business segment for the three and six month periods ended June 30, 2015 and June 30, 2014 is as follows:

| | **Three Months Ended June 30, 2015** | | | |
|---|---|---|---|---|
| | **Computer Products & Services** | **Transcription Services** | **Corporate** | **Total** |
| **Consolidated Statement of Comprehensive Income and Loss from Continuing Operations** | | | | |
| Revenue from external customers | $ 415,689 | $ 1,811,354 | $ - | $ 2,227,043 |
| Gross profit | 299,943 | 440,560 | - | 740,504 |
| Selling and administrative expenses | 365,104 | 570,927 | 10,764 | 946,795 |
| Research and development expenses | 196,694 | - | - | 196,694 |
| Foreign exchange loss (gain) | (4,028) | - | - | (4,028) |
| Interest income | (3,079) | (1,510) | - | (4,589) |
| Interest expense | 19,367 | 3,244 | - | 22,611 |
| Segment income (loss) | (274,115) | (132,100) | (10,764) | (416,979) |
| **Consolidated Balance Sheet** | | | | |
| Total segment assets | $ 1,261,076 | $ 2,527,379 | $ - | $ 3,788,455 |
| Total segment current liabilities | 1,698,956 | 1,154,283 | - | 2,853,239 |
| Total segment non-current liabilities | 1,980 | 122,228 | - | 124,208 |
| **Other Items** | | | | |
| Depreciation of property and equipment (i) | $ 7,659 | $ 41,584 | $ - | $ 49,243 |

(i) Included in selling, general and administrative expenses and cost of sales.

| | Three Months Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Computer Products & Services | Transcription Services | Corporate | Total |
| **Consolidated Statement of Comprehensive Income and Loss from Continuing Operations** | | | | |
| Revenue from external customers | $ 541,940 | $ 2,146,497 | $ - | $ 2,688,437 |
| Gross profit | 415,423 | 562,783 | - | 978,206 |
| Selling and administrative expenses | 277,776 | 520,855 | 218,021 | 1,016,652 |
| Restructuring expenses | - | - | - | - |
| Research and development expenses | 148,204 | - | - | 148,204 |
| Foreign exchange loss (gain) | 8,462 | - | - | 8,462 |
| Interest income | (64) | (2,901) | - | (2,965) |
| Interest expense | 15,616 | 5,287 | - | 20,903 |
| Segment income (loss) | (34,571) | 39,542 | (218,021) | (213,050) |
| **Consolidated Balance Sheet** | | | | |
| Total segment assets | $ 707,105 | $ 2,892,497 | $ - | $ 3,599,602 |
| Total segment current liabilities | 1,260,053 | 1,130,171 | - | 2,390,224 |
| Total segment non-current liabilities | 27,441 | 178,657 | - | 206,098 |
| **Other Items** | | | | |
| Depreciation of property and equipment (i) | $ 9,849 | $ 34,621 | $ - | $ 44,469 |

| | Six Months Ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Computer Products & Services | Transcription Services | Corporate | Total |
| **Consolidated Statement of Comprehensive Income and Loss from Continuing Operations** | | | | |
| Revenue from external customers | $ 1,077,488 | $ 3,583,638 | $ - | $ 4,661,126 |
| Gross profit | 794,953 | 889,943 | - | 1,684,896 |
| Selling and administrative expenses | 641,746 | 1,082,164 | 306,959 | 2,030,868 |
| Research and development expenses | 383,029 | - | - | 383,029 |
| Foreign exchange loss (gain) | (36,864) | - | - | (36,864) |
| Interest income | (6,595) | (4,565) | - | (11,160) |
| Interest expense | 33,276 | 7,103 | - | 40,379 |
| Segment income (loss) | $ (219,639) | (194,759) | $ (306,959) | $ (721,356) |
| **Other Items** | | | | |
| Depreciation of property and equipment (i) | $ 15,195 | $ 72,785 | $ - | $ 87,980 |

| | Six Months Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Computer Products & Services | Transcription Services | Corporate | Total |
| **Consolidated Statement of Comprehensive Income and Loss from Continuing Operations** | | | | |
| Revenue from external customers | $ 1,169,098 | $ 4,118,279 | $ - | $ 5,287,377 |
| Gross profit | 875,381 | 1,076,505 | - | 1,951,886 |
| Selling and administrative expenses | 556,048 | 1,060,274 | 413,407 | 2,029,729 |
| Restructuring expenses | - | - | - | - |
| Research and development expenses | 268,602 | - | - | 268,302 |
| Foreign exchange loss | 10,290 | (1) | - | 10,289 |
| Interest income | (64) | (5,744) | - | (5.808) |
| Interest expense | 23,499 | 11,086 | - | 34,585 |
| Segment income (loss) | $ 17,006 | $ 10,890 | $ (413,407) | $ (385,511) |
| **Other Items** | | | | |
| Depreciation of property and equipment (i) | $ 19,697 | $ 71,247 | $ - | $ 90,944 |

Revenues from continuing operations are segmented by geographic region as follows:

| | Six months ended June 30 | |
|---|---|---|
| | **2015** | 2014 |
| Australia | $ 3,583,638 | $ 4,118,279 |
| Canada | 257,923 | 316,707 |
| United Kingdom | 210,298 | 424,354 |
| United States | 290,165 | 323,173 |
| Other | 319,102 | 104,864 |
| | $ 4,661,126 | $ 5,287,377 |

## 14. Risk Management for Financial Instruments

### Fair Values

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

Fair value measurements recognized in the condensed consolidated interim balance sheets must be categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value on the condensed consolidated interim balance sheets consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). There were no financial instruments categorized using observable market inputs (Level 2) or valuation techniques using non-observable market inputs (Level 3) as at June 30, 2015.

The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy during the three and six month periods ended June 30, 2015.

**Liquidity**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company'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 Company has sustained losses over the last number of periods and has financed these losses mainly through a combination of equity and debt offerings. As at June 30, 2015, the Company has contractual obligations relating to trade and other payables, short-term debt, obligations under finance lease and long-term debt. Management believes that it has raised sufficient cash to meet all of its contractual debt that is coming due in 2015 and has the ability to fund any operating losses that may occur in the upcoming periods. There are, however, a number of uncertainties related to the timing and use of the Company'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 Company is exposed to credit risk from its customers; however, the Company has a significant number of customers, minimizing the concentration of credit risk. Further, a large majority of the Company's customers are economically stable organizations such as government agencies or departments with whom the Company 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 Company's extension of credit to customers involves review and approval by senior management and conservative credit limits for new or higher risk accounts.

The Company reviews its trade receivable accounts regularly and writes down these accounts to their expected realizable values, by making an allowance for doubtful accounts, 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. Normal credit terms for amounts due from customers call for payment within 30 to 60 days. An insignificant amount of these receivables were past due as at June 30, 2015.

The Company's exposure to credit risk for trade receivables by geographic area was as follows:

| | **June 30, 2015** | June 30, 2014 |
|---|---|---|
| Australia | 76% | 69% |
| Canada | 2% | 1% |
| United States | 12% | 12% |
| United Kingdom | 8% | 10% |
| Rest of world | 2% | 8% |
| | 100% | 100% |

**Foreign Currency Risk**

Foreign currency risk arises because of fluctuations in exchange rates. The Company 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 Company's sales and operating costs being realized in these foreign currencies. The Company'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, U.S. and Australian dollars.

The financial 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. This primarily includes cash, restricted cash, trade and other receivables, trade and other payables, provisions and obligations under finance lease which were denominated in foreign currencies.

**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 Company's interest rate risk is primarily related to the Company's interest bearing debts on its condensed consolidated interim balance sheet. The Company does not have a material amount of long-term debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

**Capital Management**

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

The Company 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 Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the current quarter.