



VIQ Solutions Inc.

First Quarter 2007 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 Three Months Ended March 31, 2007

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") covers our interim consolidated financial statements for the three months ended March 31, 2007 ("Interim Consolidated Financial Statements") and updates our MD&A for fiscal 2006. The information herein should be read in conjunction with the audited consolidated financial statements and Auditors' Report for fiscal 2006. The Corporation's Interim 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", "Corporation", "our", "us", and "we" refers to VIQ Solutions Inc. and its subsidiaries. Additional information regarding the Corporation is available on SEDAR at www.sedar.com. This MD&A is dated May 29, 2007 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 our achievements, the future success of our business and technology strategies, and market opportunities. These statements are neither promises nor 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, but are not limited to, risks related to our revenue growth, operating results, industry and products, as well as other factors discussed 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 any 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 the section in our 2006 Annual Report entitled "Risk Factors" for a more complete discussion of factors that could affect our future performance.

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 workflow management switch, provides anywhere anytime transcription workflow capabilities worldwide.

We also provide 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.

Outlook and Strategy

This "Outlook and Strategy" section contains certain forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the section "Forward-looking Statements".

We are well positioned to capitalize on the potential growth and heightened interest in our software solutions in North America and globally. During 2007, and for the next several years, we anticipate that we will benefit from a series of market trends including (i) the transition in the courts from analog audio recording systems to digital

recording systems; (ii) the end of life cycle for most analog audio recording devices; and (iii) the increasing market demand for digital recording in various market verticals including the medical, insurance, law enforcement, military and transportation industries. We anticipate that these trends will continue to intensify in the future, allowing the benefits of digital records to be further demonstrated through a variety of solutions and applications.

We have recently augmented our RecordIAB suite of products which now includes an innovative and fully enclosed recording console, a space-efficient workstation and a software edition for the recording, playback and storing of digital audio. All three solutions are built on the same user-friendly RecordIAB software platform. The RecordIAB suite is ideally suited for entry-level and sophisticated customers requiring a feature-rich, simple to use product with expansion capabilities as the operator's skill set evolves. The RecordIAB suite is designed to be completely compatible with all of our other product offerings. We believe that the RecordIAB suite will allow us to service existing markets as well as penetrate new markets that require easy to use digital recording.

We are working to develop new partnerships and expand existing partnerships among large system 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 should result in valuable and long-term recurring revenues for the Corporation.

Our development team is continuing to produce significant new product offerings to augment our full spectrum of solutions from entry to enterprise level. Our clients, dealers and resellers continue to provide valuable input to the design and feature-set being delivered in our solutions. New product releases and new opportunities continue to evolve and subsequently, new releases are occurring each quarter.

These products and offerings continue to be integrated with our NetScribe services, providing a complete solution set spanning easy-to-use entry-level solutions to sophisticated full-featured systems. This solution set allows the customer to adopt the level of sophistication suitable to their needs.

Business Highlights for the Quarter:

- Achieved revenue growth of 34% over previous year's first quarter results as a result of revenue growth from our new product releases as well as growth in our transcription and recording services;
- Commenced roll out of new Encompass digital audio and video capture solution offering synchronized digital video capture resulting in immediate success in the marketplace with a 155% increase in our computer products and services sales as compared to the previous year;
- Awarded two major long-term Australian transcription and recording contracts during the period in addition to the Western Australian contract that was awarded in late 2006, confirming our position as the market leader in the Australian transcription and recording market; and
- Significant improvement in financial performance for the first quarter over the previous year's results, resulting in positive cash from operations for the three months ended March 31, 2007.

Critical Accounting Policies and Estimates

General

The preparation of the Interim 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 Assumption

The 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 decreased its loss in the current year. 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 us 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.

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 intangibles and goodwill, the useful lives of property and equipment, and other assets for amortization purposes, amounts recorded as accrued liabilities, valuation of stock-based payments, valuation allowance on future tax assets and the fair values of financial instruments.

Adoption of New Accounting Policies

Our accounting policies used to prepare our Consolidated Interim Financial Statements for the three months ended March 31, 2007 are unchanged from those disclosed in our 2006 consolidated financial statements with the exception of the new accounting standards listed below.

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.

Stock-based Compensation Expense

Stock-based compensation was \$40,506 for the three months ended March 31, 2007 as compared to \$29,228 for the three month period ended March 31, 2006. Stock options are expensed over their expected life and are charged to selling and administrative expenses.

Shares Outstanding

The weighted average number of common shares used in calculating the loss per share was 73,071,753 for the three month period ended March 31, 2007 (three months ended March 31, 2006 – 69,413,852). The number of common shares outstanding as at March 31, 2007 was 73,071,753 (March 31, 2006 – 66,081,753). The increase in the number of common shares outstanding was primarily attributable to the common shares issued from the private placement that took place in 2006. The total common shares outstanding as of the date of this MD&A remained unchanged at 73,071,753.

Options granted under our stock option plan and outstanding 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 5,767,583 as at March 31, 2007 (March 31, 2006 – 5,387,333), of which 3,926,723 were exercisable (March 31, 2006 – 2,787,989).

Warrants outstanding at March 31, 2007 were 7,525,555 (March 31, 2006 – 13,214,555). As at March 31, 2007, 1,200,000 common shares issued on exercise of the special warrants remained in escrow pursuant to the terms of the special warrants.

Results of Operations

Revenue for the three months ended was \$3.3 million for the three months ended March 31, 2007 as compared to \$2.5 million for the three months ended March 31, 2006 representing an increase of \$0.8 million or 34%. The increase in revenue is due to an increase in revenue from our computer products and services of approximately \$435,000 and an increase in our transcription revenue from our transcription business of approximately \$344,000.

Revenue from computer products and services included revenue from the sale of our software and hardware products, NetScribe services, service support and maintenance agreements and the sale of our RecordIAB console product. We anticipate that the revenue from computer products and services will continue to grow due to the release of our new products as well as an increase in market activity. We expect that the RecordIAB product suite and the Encompass product will represent a substantial portion of our revenue in 2007 as our global network of value added resellers and distributors becomes more familiar with the products and begins to access new market verticals. Our revenue from computer products and services increased by 155% over the same period in 2006 as we continue to gain recognition for our feature-rich and reliable solutions as well as our on-going customer care.

Revenue from our transcription and recording services increased by 16% as compared to the same period in 2006 primarily due to the fact that Spark and Cannon secured three significant contracts during the end of 2006 and early 2007 with two of the three contracts commencing in the period. We anticipate that transcription revenue will continue to increase in the second and subsequent quarters as Spark and Cannon continues to take on more work from the newly awarded contracts.

The following table provides a breakdown of our revenues for the reported period:

(\$000s)	Three months ended Mar. 31	
	2007	2006
Transcription services	\$ 2,500	\$ 2,156
Computer products and services	802	314
Total Sales	\$ 3,302	\$ 2,470

Gross profit for the three month period ended March 31, 2007 was \$1,279,603 or 39% as compared to a gross profit of \$804,633 or 33% for the three month period ended March 31, 2006.

Gross margin from computer products and services was 86% for the three month period ended March 31, 2007 as compared to 64% for the three month period ended March 31, 2006. The increase in the gross margin can be attributed primarily to the increase in our revenue mix from the sale of our software products and services which typically have significantly higher margins than our RecordIAB console. We are anticipating that our gross margins for our computer products and services will remain constant in subsequent quarters. We continue to continue to improve our gross margins by further standardizing and enhancing our manufacturing process for the RecordIAB console.

Gross margin from our transcription and court reporting services was 24% for the three month period ended March 31, 2007 as compared to 28% for the three month period ended March 31, 2006. The decrease in gross margin can be attributed to one-time training and overtime costs associated with the significant increase in personnel required to service the new Spark & Cannon contracts in the amount of approximately \$156,000 or 6% gross margin. We anticipate that our gross margin for the transcription business will improve during the year back to historical levels.

The following table provides a breakdown of our gross profit and gross margin for the reported periods:

	Three Months ended March 31			
	Gross Profit	Gross Profit	Gross	Gross
	(\$000s)	(\$000s)	Margin	Margin
	2007	2006	2007	2006
Transcription services	\$ 592	\$ 603	24%	28%
Computer products and services	687	202	86%	64%
	\$ 1,279	\$ 805	39%	33%

Selling and administrative expenses were \$1.13 million for the three month period ended March 31, 2007 as compared to \$1.06 million for the three month period ended March 31, 2006, representing an increase of \$70,000 or 6%. We anticipate that selling and administrative expenses will remain stable or increase slightly as we continue to grow our revenue.

Research and development expenses were \$101,003 for the three month period ended March 31, 2007 as compared to \$221,379 for the three month period ended March 31, 2006. We anticipate that our research and development expenses will remain constant or increase slightly as we continue to invest in existing and new product and services.

Our net loss for the three month period ended March 31, 2007 was \$175,344 as compared to \$667,777 for the three month period ended March 31, 2006.

Net loss per common share for the three month period ended March 31, 2007 was \$0.00, as compared to \$0.01 for the three month period ended March 31, 2006. Options granted under our stock option plan and warrants have not been included in the calculation of the diluted loss per share as the effect would be anti-dilutive.

Financial Condition, Liquidity and Capital Resources

As at March 31, 2007, the Corporation had \$647,410 of cash (March 31, 2006 - \$287,438). Cash from operating activities was \$103,918 for the three month period ended March 31, 2007 as compared to a cash use of \$430,043 for the three month period ended March 31, 2006. Cash used in investing activities decreased to \$31,124 for the three month period ended March 31, 2007 as compared to \$104,547 for the three month period ended March 31, 2006, primarily due to an equipment upgrade required by Spark & Cannon in 2006. Cash used in financing activities was \$38,283 for the three month period ended March 31, 2007 as compared to a cash inflow of \$521,462 for the three month period ended March 31, 2006.

The following table provides information about the Corporations total assets and total long-term debt as at March 31, 2007 and 2006.

(\$000s)	March 31	
	2007	2006
Total assets	\$ 6,358	\$ 6,108
Total long-term debt	\$ 1,294	\$ 1,294

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 requirements 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 may be sufficient to meet our anticipated cash needs for working capital and capital expenditures for the foreseeable future.

The “Financial Condition, Liquidity and Capital Resources” section above contains certain forward-looking statements. By their nature forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Please refer to the caution in the Forward-looking Statements section of this MD&A.

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. 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. No interest was paid on the unsecured loan during the period.

Quarterly Results of Operations

The following table sets forth our unaudited consolidated statements of operations for each of the past eight quarters. This information was obtained from our quarterly unaudited financial statements, which have been prepared in accordance with Canadian GAAP. We expect our operating results to vary significantly from quarter to quarter and they should not be relied upon to predict future performance.

	Quarter Ended (Unaudited) (000s of dollars – except per share amounts)							
	June 30 2005	Sept. 30 2005	Dec. 31 2005	March 31 2006	June 30 2006	Sept. 30 2006	Dec. 31 2006	Mar. 31 2007
Revenue	\$3,212	\$2,631	\$2,504	\$2,470	\$2,929	\$2,721	\$3,149	\$3,302
Gross Profit	1,239	806	841	805	961	1,064	1,325	1,279
Selling and Administrative Expenses	\$1,422	\$1,143	\$1,126	\$1,063	\$1,071	\$941	\$1,072	\$1,132
Net Income (Loss)	(577)	(851)	(557)	(668)	(555)	(253)	190	(175)
Net Loss per Common Share (Basic and Fully Diluted)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00	(\$0.00)

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as at March 31, 2007, that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of VIQ Solutions are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the review of the design of internal controls over financial reporting it was noted that, due to the limited number of staff at the Corporation, it is not feasible to achieve complete segregation of incompatible duties. However, other compensating internal controls over financial reporting have been designed which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting; however, a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There have been no material changes to the internal controls of the Corporation since December 31, 2006.