



VIQ Solutions Inc.

Third 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 and Nine Months Ended September 30, 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 and nine months ended September 30, 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 November 22, 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; (iii) the increasing market

demand for digital recording in various market verticals including the medical, insurance, law enforcement, military and transportation industries and; (iv) the need to manage large volumes of digital data with simple to use but sophisticated workflow technologies. 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 upgraded our RecordIAB suite of products to include the recently launched VIQ Shuttle and VIQ Shuttle DRA products. The suite now consists of an innovative and fully enclosed all-in-one recording console, a quiet but powerful mobile brick computer, a full-featured, silent and high-performance mini-PC, and a software edition for recording, playback and storing of up to 8-channels of digital audio as well as digital video. Our new solutions are built on the same user-friendly RecordIAB software platform. The RecordIAB suite is ideally suited for entry-level and sophisticated customers alike 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 have also recently released our Encompass line of products which feature up to 8-channels of digital audio and digital video recording, archiving and retrieval. The Encompass line of products includes a Client version for straight-forward digital acquisition and file management and a Server version with a multi-tiered back-office architecture capable of managing world-wide audio/video acquisition and workflow processes including redundancy and disaster-recovery scenarios. Encompass Server provides automatic synchronization of all nodes to middle-tier servers which in turn auto-synchronize with an upper-tier central server. Combining this with our NetScribe product delivers secure anywhere-anytime exchange of files for transcription. We believe that the Encompass suite will allow us to service existing markets as well as penetrate new markets that require easy to use digital recording with sophisticated back office requirements.

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 compliment 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 back office workflow systems. This solution set allows the customer to adopt the level of sophistication suitable to their needs and maintain that investment while growing into more sophisticated requirements.

Business Highlights for the Quarter:

- Selected by Nortel Government Solutions for the United States Department of Justice, Executive Office for Immigration Review to provide a complete digital audio recording solution for approximately 375 fixed and portable locations across the United States;
- Achieved revenue growth of 6% and 17% for the three and nine month periods over previous year's results as a result of revenue growth primarily due to growth in our transcription and recording services; and
- Expanded our market opportunities with the release of new products including the Encompass Server product, the VIQ Shuttle and the VIQ Shuttle DRA, providing an enhanced service offering as well as back office workflow management capabilities.

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 and nine months ended September 30, 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 September 30, 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 \$41,757 and \$127,010 for the three and nine month periods ended September 30, 2007 as compared to \$43,421 and \$124,000 for the three and nine month periods ended September 30, 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 and nine month periods ended September 30, 2007 (three and nine months ended September 30, 2006 – 73,071,753 and 71,030,973). The number of common shares outstanding as at September 30, 2007 was 73,071,753 (September 30, 2006 – 73,071,753). 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 5,772,583 as at September 30, 2007 (September 30, 2006 – 4,321,333), of which 4,046,726 were exercisable (September 30, 2006 – 2,471,989).

Warrants outstanding at September 30, 2007 were 5,220,000 (September 30, 2006 – 7,525,555). As at September 30, 2007, 600,000 common shares issued on exercise of the special warrants remained in escrow pursuant to the terms of the special warrants.

Results of Operations

Revenue was \$2.9 million and \$9.5 million for the three and nine months periods ended September 30, 2007 as compared to \$2.7 million and \$8.1 million for the three and nine months periods ended September 30, 2006 representing an increase in revenue of 6% and 17% respectively. The increase in revenue over the three month period is due to an increase in revenue from our transcription businesses of approximately \$450,000 offset by a decrease in our computer products and services business of approximately \$280,000 of which approximately \$24,000 related to the decline of the US dollar.

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. Revenue from this business unit declined in the quarter primarily due to a weak market and reduced government spending in the United States. We anticipate that the revenue from computer products and services will return to normal levels and will continue to grow due to the release of our new products as well as an increase in market activity and government spending. We expect that the Encompass product will continue to represent an increasing portion of our revenue in the balance of 2007 and 2008 as our global network of value added resellers and distributors becomes more familiar with our products and begins to access new markets.

Revenue from our transcription and recording services increased by 21% for the three months ended September 30, 2007 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. We anticipate that transcription revenue will continue to increase in the fourth quarter and early 2008 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 September 30		Nine months ended September 30	
	2007	2006	2007	2006
Transcription services	\$ 2,593	\$ 2,145	\$ 7,873	\$ 6,756
Computer products and services	298	576	1,603	1,364
Total Sales	\$ 2,891	\$ 2,721	\$ 9,476	\$ 8,120

Gross profit for the three and nine month periods ended September 30, 2007 were \$1,021,857 and \$3,515,593 or 35% and 37% as compared to a gross profit of \$1,063,767 and \$2,829,222 or 39% and 35% for the three and nine month periods ended September 30, 2006.

Gross margin from computer products and services was 91% for the three month period ended September 30, 2007 as compared to 82% for the three month period ended September 30, 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 and other hardware products. We are anticipating that our gross margins for our computer products and services will decline slightly in subsequent quarters as the revenue mix moves to more historical ranges.

Gross margin from our transcription and court reporting services was 29% for the three month period ended September 30, 2007 as compared to 28% for the three month period ended September 30, 2006. The increase in gross margin can be attributed to continued efforts to improve efficiencies in our delivery of transcription services in both Spark & Cannon and International Reporting. We anticipate that our gross margin for the transcription business will remain steady for the balance of the year.

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

(\$000s)	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Transcription services	\$ 751	\$ 592	\$ 2,192	\$ 1,878
Computer products and services	270	472	1,323	951
Total Sales	\$ 1,021	\$ 1,064	\$ 3,515	\$ 2,829

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

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Transcription services	29%	28%	28%	28%
Computer products and services	91%	82%	82%	70%
	35%	39%	37%	35%

Selling and administrative expenses were \$1.11 million and \$3.38 million for the three and nine month periods ended September 30, 2007 as compared to \$0.94 million and \$3.08 million for the three and nine month periods ended September 30, 2006, representing an increase of 18% and 10% respectively. The increase in selling and administration is primarily due to the increase in business in Spark and Cannon as a result of the new transcription contracts recently awarded. We anticipate that selling and administrative expenses will remain stable or decrease slightly due to our continued efforts to rationalize our business operations.

Research and development expenses were \$122,389 and \$320,310 for the three and nine month periods ended September 30, 2007 as compared to \$207,726 and \$643,646 for the three and nine month periods ended September 30, 2006. We anticipate that our research and development expenses will remain relatively constant or increase slightly as we continue to invest in existing and new product and services.

Our net loss for the three and nine month periods ended September 30, 2007 was \$382,040 and \$618,815 respectively as compared to \$253,133 and \$1,475,913 for the three and nine month periods ended September 30, 2006.

Net loss per common share for the three and nine month periods ended September 30, 2007 was \$0.01, as compared to \$0.00 and \$0.02 for the three and nine month periods ended September 30, 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 September 30, 2007, the Corporation had \$212,826 of cash (September 30, 2006 - \$979,649). Cash used in operating activities was \$279,901 and \$127,744 for the three and nine month periods ended September 30, 2007 as compared to a cash use of \$292,256 and \$947,790 for the three and nine month periods ended September 30, 2006. Cash used in investing activities was \$33,224 and \$100,162 for the three and nine month periods ended September 30, 2007 as compared to \$17,412 and \$132,649 for the three and nine month periods ended September 30, 2006, primarily due to an equipment upgrade required by Spark & Cannon in the first quarter of 2006. Cash from financing activities was \$193,422 for the three month period ended September 30, 2007 and cash used for financing activities was \$126,172 for the nine month period ended September 30, 2007. Cash from financing activities was \$759,146 and \$1,761,943 for the three and nine month periods ended September 30, 2006.

The following table provides information about the Corporation's total assets and total long-term debt as at September 30, 2007 and 2006.

(\$000s)	September 30 2007	September 30 2006
Total assets	\$ 5,303	\$ 6,109
Total long-term debt	\$ 1,568	\$ 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. During the three month period ended September 30, 2007, \$6,000 was paid to the senior officer in connection with the bridge loan.
- The unsecured amount owing to the vendors of International Reporting includes loans from certain senior officers and employees of International Reporting. No interest was payable 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)							
	Dec. 31 2005	Mar. 31 2006	June 30 2006	Sept. 30 2006	Dec. 31 2006	Mar. 31 2007	June 30 2007	Sept. 30 2007
Revenue	\$2,504	\$2,470	\$2,929	\$2,721	\$3,149	\$3,302	\$3,283	\$2,891
Gross Profit	841	805	961	1,064	1,325	1,279	1,214	1,021
Selling and Administrative Expenses	\$1,126	\$1,063	\$1,071	\$941	\$1,072	\$1,132	\$1,140	\$1,106
Net Income (Loss)	(557)	(668)	(555)	(253)	190	(175)	(61)	(382)
Net Loss per Common Share (Basic and Fully Diluted)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)	(\$0.01)

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 September 30, 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.