



VIQ Solutions Inc.

First Quarter 2008 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 Month Period Ended March 31, 2008

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, 2008 ("Interim Consolidated Financial Statements") and updates our MD&A for fiscal 2007. The information herein should be read in conjunction with the audited consolidated financial statements and Auditors' Report for fiscal 2007. 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 28, 2008 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 2007 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 Denmark.

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 Assumption

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. VIQ Solutions has incurred operating losses and cash outflows from operations during the current period and the prior, and has a working capital deficiency of \$292,978 at March 31, 2008.

Historically, management has consistently been able to raise sufficient funds to finance its operations, and has raised capital in the amount of \$1,782,800 during and subsequent to the period. 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 to obtain future financing.

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, impairment testing of goodwill and the fair values of financial instruments.

Adoption of New Accounting Policies

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

Capital Disclosures

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting standard: Capital Disclosures (Handbook Section 1535). This new standard became effective for the Corporation for its first fiscal year commencing on or after October 1, 2007. Handbook Section 1535 establishes disclosure requirements about an entity's capital and how it is managed and quantitative data about what the entity regards as capital. The purpose is to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. The Corporation has included the recommended disclosures in the interim consolidated financial statements.

Financial Instruments Disclosures

The Corporation has adopted the requirements of the CICA Handbook Section 3862, "Financial Instruments Disclosures," which apply to fiscal years beginning on or after October 1, 2007. This section requires disclosures relating to the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk, and how the Corporation manages those risks. The Corporation has included the recommended disclosures in the interim consolidated financial statements.

Financial Instruments Presentation

CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard is effective for the Corporation for interim and annual financial statements beginning on January 1, 2008. The adoption of this standard did not impact the presentation of the financial statements or notes thereto.

Inventories

CICA Handbook Section 3031, Inventories replaces the existing Section 3030, Inventories, and contains requirements on measurement and disclosure of inventories to converge with international financial reporting. This standard is effective for the Corporation for interim and annual financial statements beginning on January 1, 2008. The Corporation adopted this new guidance effective January 1, 2008. This standard did not have a material impact on its consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements

The following changes will be adopted in the future:

Goodwill and Intangibles

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

International Financial Reporting Standards

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

Results of Operations

Revenue was \$2.8 million for the three months ended March 31, 2008 as compared to \$3.3 million for the three month period ended March 31, 2007 representing a decrease in revenue of \$0.5 million or 14%. The decrease in revenue can be attributed to a decrease in first quarter sales from our computer products and services segment.

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

(\$000s)	Three months ended Mar. 31	
	2008	2007
Transcription services	\$ 2,484	\$ 2,500
Computer products and services	350	802
Total Sales	\$ 2,834	\$ 3,302

Revenue from computer products and services included revenue from the sale of our software and hardware products, NetScribe services and service support and maintenance agreements. Revenue from this business unit declined as compared to the first quarter of the previous year primarily due to reduced government spending in the United States and our focus on larger, complex solutions which tend to have a longer sales cycle. We anticipate that the revenue from computer products and services will re-establish its growth during 2008 due to the increase in market activity and interest in our products globally, and improved government spending for high-end digital solutions. We expect that our enterprise Encompass Server solution will continue to represent an increasing portion of our revenue in 2008 as we continue to leverage our existing relationships with system integrators.

Revenue from our transcription and recording services remained relatively unchanged for the three months ended March 31, 2008 as compared to the same period in 2007. We anticipate that transcription revenue will increase slightly in 2008 relative to 2007 as Spark & Cannon and International Reporting continue to take on more work from new and existing contracts.

Gross profit for the three month period ended March 31, 2008 was \$1.04 million as compared to a gross profit of \$1.28 million for the three month period ended March 31, 2007.

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
	2008	2007	2008	2007
Transcription services	\$ 755	\$ 592	30%	24%
Computer products and services	286	687	82%	86%
	\$ 1,041	\$ 1,279	37%	39%

Gross margin from computer products and services was 82% for the three month period ended March 31, 2008 as compared to 86% for the three month period ended March 31, 2007. The decrease in the gross margin can be attributed primarily to a slight change in our revenue mix from the sale of our software products and services which typically have significantly higher margins than our hardware products. We are anticipating that our gross margins for our computer products and services will remain steady in subsequent quarters.

Gross margin from our transcription and court reporting services was 30% for the three month period ended March 31, 2008 as compared to 24% for the three month period ended March 31, 2007. The increase in gross margin in 2008 can be attributed to the one-time costs associated with the launching of the new contracts in Spark & Cannon in the first quarter of 2007 as well as higher gross margin contracts in International Reporting. We anticipate that our gross margin for the transcription business will remain steady in subsequent quarters.

Selling and administrative expenses were \$1.11 million for the three months ended March 31, 2008 as compared to \$1.13 million for the same period in 2007, remaining relatively unchanged. 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 \$114,954 for the three months ended March 31, 2008 as compared to \$101,003 for the previous year representing an increase of \$13,951. We anticipate that our research and development expenses will remain constant as we continue to invest in existing and new product and services.

Interest expense was \$68,233 for the three months ended March 31, 2008 as compared to \$49,697 for the three months ended March 31, 2007 due to the increase in long term debt that occurred in 2007. We expect that interest expense will decrease throughout the year as we continue to repay our outstanding bridge loans.

Net loss for the three month period ended March 31, 2008 was \$253,233 as compared to a loss of \$175,344 for the same period in 2007.

Net loss per common share for the three months ended March 31, 2008 was \$0.00, as compared to \$0.00 for the

three month period ended March 31, 2007. 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, 2008, the Corporation had \$550,915 of cash (March 31, 2007 - \$647,410). Cash used in operating activities was \$227,873 for the three month period ended March 31, 2008 as compared to a cash inflow of \$103,917 for the three months ended March 31, 2007. Cash used in investing activities was \$16,212 for the three months ended March 31, 2008 as compared to \$31,124 for the three months ended March 31, 2007. Cash flow from financing activities was \$460,867 for the three months ended March 31, 2008 as compared to a cash outflow of \$38,283 for the three months ended March 31, 2007 primarily due to the private placement and the exercise of warrants.

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 and the balance of our private placement (see "Subsequent Events") will 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.

Shares Outstanding

The weighted average number of common shares used in calculating the loss per share was 73,636,654 and 73,071,753 for the three month period ended March 31, 2008 and 2007 respectively. The number of common shares outstanding as at March 31, 2008 was 79,197,752 (March 31, 2007 – 73,071,753). The total common shares outstanding as of the date of this MD&A was 79,601,085.

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 5,906,749 as at March 31, 2008 (March 31, 2007 – 5,767,583), of which 5,294,661 were exercisable (March 31, 2007 – 3,926,723).

Warrants outstanding at March 31, 2008 were 5,882,999 (March 31, 2007 – 7,525,555). As at March 31, 2008, no common shares issued on exercise of the special warrants remained in escrow pursuant to the terms of the special warrants (March 31, 2007 – 1,200,000).

Stock-based Compensation Expense

Stock-based compensation was \$40,346 for the three months ended March 31, 2008 as compared to \$40,506 for the three months ended March 31, 2007. Stock options are expensed over their expected life and are charged to selling and administrative expenses.

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 to the senior officer 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; and
- The bridge loan provided to the Corporation in 2007 with a face value of \$150,000 included loans from a senior officer of the Corporation in the amount of \$50,000. During the period, \$1,710 was paid to the senior officer in connection with the bridge loan. The bridge loan was fully repaid during the period.

Subsequent Events

The following events occurred subsequent to the period:

(i) Stock Options

Subsequent to the period, on April 16, 2008, the Corporation granted 690,000 stock options to the directors of the Corporation, 450,000 stock options to the senior officers of the Corporation and 60,000 to the Corporation's corporate secretary at an exercise price of \$0.38. The stock options expire five years after the grant date. The stock options vest one third immediately, one third after one year and one third after two years.

(ii) Private Placement

Subsequent to the period, the Corporation issued 403,333 units at a price of \$0.30 per unit for net proceeds of \$121,000. Each unit comprised one common share and one-half warrant whereby each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.45 for a period of 24 months from the closing date.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Management has designed internal controls over financial reporting 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. 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. 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.

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 2008, 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 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 a 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.

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 2006	Sept. 30 2006	Dec. 31 2006	Mar. 31 2007	June 30 2007	Sept. 30 2007	Dec. 31 2007	Mar. 31 2008
Revenue	\$2,929	\$2,721	\$3,149	\$3,302	\$3,283	\$2,891	\$2,820	\$2,835
Gross Profit	961	1,064	1,325	1,279	1,214	1,021	1,007	1,041
Selling and Administrative Expenses	\$1,071	\$941	\$1,072	\$1,132	\$1,140	\$1,106	\$1,142	\$1,108
Net Income (Loss)	(555)	(253)	190	(175)	(61)	(382)	(356)	(253)
Net Loss per Common Share (Basic and Fully Diluted)	(\$0.01)	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)	(\$0.005)	(\$0.005)	(\$0.00)