



VIQ Solutions Inc.

Third 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 and Nine Month Periods Ended September 30, 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 and nine month periods ended September 30, 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 November 24, 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 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

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 in current and prior periods.

Historically, management has consistently been able to raise sufficient funds to finance its operations, and has raised capital in the amount of \$2,548,799 in 2008 through a private placement and the exercise of warrants. Further, the Corporation has positive working capital in the current 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 Interim 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 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 Interim Consolidated Financial Statements.

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 and \$8.9 million for the three and nine month periods ended September 30, 2008 as compared to \$2.9 million and \$9.5 million for the three and nine month periods ended September 30, 2007 representing a decrease in revenue of \$0.1 million and \$0.6 million or 0.5% and 6% for the respective periods.

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

(\$000s)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
Transcription services	\$ 2,262	\$ 2,593	\$ 7,602	\$ 7,873
Computer products and services	498	298	1,275	1,603
Total Revenue	\$ 2,760	\$ 2,891	\$ 8,877	\$ 9,476

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 nine month period ended September 30 of the previous year primarily due to reduced government spending in the United States starting in 2007 and continuing into 2008. We have started to re-establish our growth during 2008 in markets outside of the United States as evidenced by our increase in revenue for the three month period ended September 30, 2008 as compared to the same three month period ended September 30, 2007 and we expect this trend to continue in 2009. We anticipate that there will continue to be strong interest in our products globally due to our proven solutions and expertise in high-end digital solutions. We expect that our enterprise Encompass Server solution will continue to represent an increasing portion of our revenue in 2008 and into 2009 as we continue to leverage our existing relationships with system integrators and broaden our global customer base.

Revenue from our transcription and recording services decreased slightly for the three and nine month periods ended September 30, 2008 as compared to the same periods in 2007 primarily due to unusually slow market conditions in the Australian transcription market in the third quarter of 2008. We anticipate that transcription revenue will return to normal levels in subsequent quarters.

Gross profit for the three and nine month periods ended September 30, 2008 was \$1.08 million and \$3.50 million as compared to a gross profit of \$1.02 million and \$3.52 million for the three and nine month periods ended September 30, 2007.

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

(\$000s)	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
Transcription services	\$ 625	\$ 751	\$ 2,343	\$ 2,192
Computer products and services	453	271	1,155	1,324
	\$ 1,078	\$ 1,022	\$ 3,498	\$ 3,516

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2008	2007	2008	2007
Transcription services	28%	29%	31%	28%
Computer products and services	91%	91%	91%	83%
	39%	35%	39%	37%

Gross margin from computer products and services was 91% for the three and nine month periods ended September 30, 2008 as compared to 91% and 83% for the same periods in 2007. The increase in the gross margin can be attributed primarily to a 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 stabilize or decrease slightly in the upcoming quarters.

Gross margin from our transcription and court reporting services was 28% and 31% for the three and nine month periods ended September 30, 2008 as compared to 29% and 28% for the three and nine month periods ended September 30, 2007. The decrease in gross margin in the third quarter can be attributed to lower productivity achieved in the third quarter of 2008 as a result of the slower than expected market activity. We anticipate that our gross margin for the transcription business will remain steady or increase slightly in subsequent quarters.

Selling and administrative expenses were \$1.10 million and \$3.37 million for the three and nine month periods ended September 30, 2008 as compared to \$1.11 million and \$3.38 million for the same periods 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 \$116,644 and \$347,460 for the three and nine month periods ended September 30, 2008 as compared to \$122,389 and \$320,310 for the previous year. We anticipate that our research and development expenses will remain constant or increase slightly as we continue to invest in existing and new products and services.

Interest expense on long-term debt was \$21,955 and \$112,577 for the three and nine month periods ended September 30, 2008 as compared to \$50,712 and \$137,799 for the same periods in 2007. We expect that interest expense will continue to decrease throughout the year due to the repayment of a significant portion of our bridge loans.

Net loss was \$332,068 for the three month period ended September 30, 2008 as compared to a net loss of \$382,040 for the same period in 2007. The net loss for the nine month period ended September 30, 2008 was \$564,822 as compared to a loss of \$618,815 including a one-time forgiveness of long-term debt of \$193,573 for the same period in 2007.

Basic and diluted net loss per share was \$0.00 for the three month period ended September 30, 2008 as compared to a net loss of \$0.01 per share for the same period in 2007. Net loss per common share was \$0.01 for the nine month period ended September 30, 2008 and for the same period in 2007.

Financial Condition, Liquidity and Capital Resources

As at September 30, 2008, the Corporation had \$782,225 of cash (September 30, 2007 - \$212,826). Cash used in operating activities was \$413,197 and \$735,041 for the three and nine month periods ended September 30, 2008 as compared to cash used of \$279,901 and \$127,744 for the three and nine month periods ended September 30, 2007. We expect that the cash used to fund our non-cash working capital will be reduced in subsequent quarters. Cash used in investing activities was \$30,444 and \$66,611 for the three and nine month periods ended September 30, 2008 as compared to \$33,224 and \$100,162 for the three and nine month periods ended September 30, 2007. Cash flow from financing activities was \$106,950 and \$1,269,537 for the three and nine month periods ended September 30, 2008 as compared to \$193,422 for the three month period ended September 30, 2007 and a cash outflow of \$126,172 for nine month period ended September 30, 2007 primarily due to the private placement and the exercise of warrants in 2008, partially offset by repayment of long-term debt.

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 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 basic and diluted earnings per share was 82,495,650 and 78,699,632 for the three and nine month periods ended September 30, 2008 as compared to 73,071,753 for the same periods in the previous year.

Excluded from the calculation of diluted earnings per share for the three and nine month periods ended September 30, 2008 were 6,901,750 stock options with a weighted average exercise price of \$0.31 per share and 2,589,665 warrants with exercise prices ranging from \$0.45 to \$1.07 as the effect would be anti-dilutive.

The number of common shares outstanding as at September 30, 2008 was 82,876,085 (September 30, 2007 – 73,071,753). The total common shares outstanding as of the date of this MD&A was 82,876,085.

Stock options outstanding were 6,901,750 as at September 30, 2008 (September 30, 2007 – 5,772,583), of which 5,489,662 were exercisable (September 30, 2007 – 4,046,726).

Warrants outstanding at September 30, 2008 were 2,589,665 (September 30, 2007 – 5,220,000). As at September 30, 2008, no common shares issued on exercise of the special warrants remained in escrow pursuant to the terms of the special warrants (September 30, 2007 – 600,000).

Stock-based Compensation Expense

Stock-based compensation was \$58,774 and \$157,894 for the three and nine month periods ended September 30, 2008 as compared to \$41,757 and \$127,010 for the three and nine month periods ended September 30, 2007. Stock options are expensed over their two year vesting period and are charged to selling and administrative expenses.

Related Party Transactions

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 third quarter of 2008.

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 enhanced our product offering 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.

Our Encompass line of products 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 continue to 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 complement 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)							
	Dec. 31 2006	Mar. 31 2007	June 30 2007	Sept. 30 2007	Dec. 31 2007	Mar. 31 2008	June 30 2008	Sept. 30 2008
Revenue	\$3,149	\$3,302	\$3,283	\$2,891	\$2,820	\$2,835	\$3,283	\$2,760
Gross Profit	1,325	1,279	1,214	1,021	1,007	1,041	1,378	1,077
Selling and Administrative Expenses	\$1,072	\$1,132	\$1,140	\$1,106	\$1,142	\$1,108	\$1,159	\$1,095
Net Income (Loss)	190	(175)	(61)	(382)	(356)	(253)	20	(332)
Net Income (Loss) per Common Share (Basic and Fully Diluted)	\$0.00	(\$0.00)	(\$0.00)	(\$0.005)	(\$0.005)	(\$0.005)	\$0.00	(\$0.005)