



## **VIQ Solutions Inc.**

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Third Quarter 2018 Management's Discussion and Analysis of  
Financial Condition and Results of Operations

(Expressed in United States dollars)

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VIQ Solutions Inc.

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the Third Quarter 2018

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### Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") comments on the financial condition and results of operations of VIQ Solutions Inc. ("VIQ" or the "Company") for the three and nine month periods ended September 30, 2018. The information contained herein should be read in conjunction with the condensed interim consolidated financial statements and results of operations for the period ended September 30, 2018 and the audited consolidated financial statements for the year ended December 31, 2017.

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of consolidated financial statements.

The policies applied in the condensed interim consolidated financial statements are based on IFRS policies effective as of November 28, 2018, the date the Board of Directors approved the consolidated financial statements.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with, the Forward-looking Statements section of this MD&A.

Unless the context otherwise requires, all references to "VIQ", "Company", "VIQ Solutions", "our", "us", and "we" refers to VIQ Solutions Inc. and its subsidiaries. Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is dated November 28, 2018. All amounts herein are presented in United States dollars, unless otherwise stated.

### Overview

VIQ provides a secure, complete technology and service platform for secure digital evidence capture and content management. In the United States, with the recent acquisition of Net Transcripts, Inc., VIQ provides secure multi-speaker transcription services to law enforcement and criminal justice organizations. In Australia, under the brands of Spark & Cannon and Dataworxs Australia, VIQ also provides transcription services and reporting for large judicial and public safety government organizations.

At our technology's core is powerful cybersecurity and content protection that brings us to the forefront of the competition. Our broad customer base includes organizations seeking secure technologies to effectively manage their growing digital evidence to extend their digital reach. Clients in law enforcement, military, intelligence, healthcare, immigration, insurance, judicial and legal, who all demand the highest degree of digital security and privacy, rely on VIQ for the capture, management and sharing of audio, video and other digital sensitive evidence.

VIQ's integrated platform is designed to defend against cyberattacks and corruption, ensuring the veracity of recorded content from any fixed or mobile capture devices will withstand authenticity challenges.

The authenticity and accuracy of audio and video segments must be established before digital content can be leveraged for evidentiary and teaching purposes. VIQ's advanced software tools enable customers to manage the flow and capture of a secure, complete digital record of important events, such as: court proceedings; suspect arrests; interrogations; occurrences at emergency centres; surgical training procedures at teaching hospitals and; countless others.

VIQ has earned the reputation of the trusted leader for providing a secure full-spectrum workflow from

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capture to management and sharing of highly sensitive digital evidence or proof. In 2017, we identified the need and opportunity for providing the ability to generate new value from customers stored digital assets through the application of specialized artificial intelligence ("ai") and analytics. Applying our specialized aiAssist™ service platform, customers can leverage market proven artificial intelligence tools and methods that allow them to mine and process enormous volumes of disparate data in minutes versus traditional techniques taking hours or days. By way of example, Courts will have the ability to produce a transcript of a proceeding in minutes vs traditional transcription processing which takes days. This produces significant time and cost reductions and allows legal professionals to review and assess the legal record in near real-time.

### 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" of this MD&A.

#### ***Our Markets***

VIQ has long been a leader in the capture of sensitive digital evidence information worldwide. A shift to secure transfer of media, emergence of low-cost hardware enabling the interconnection of devices, and the collection of vast amounts of audio and video data is driving new opportunities for VIQ. With aiAssist™, we can now deliver powerful, vertically oriented artificial intelligence solutions that will transform the way our markets and customers operate and the intelligence available for informed decisions.

We focus on developing software solutions, that appeal to security and privacy conscious organizations who collect highly sensitive evidence-based digital data and want superior cybersecurity. The Company is technology agnostic with respect to the mode of data collection and ai engines. That presents a wide partner universe with respect to each market segment being serviced.

VIQ's focus on security and privacy of the digital data is second to none. We comply with the strictest government security regulations, including military and intelligence agencies, as well as medical privacy standards such as HIPAA, and provide an end-to-end solution extending from capture of the data, through sophisticated management and workflow engines. This is now enhanced with artificial intelligence supporting the ability to mine and process digital media within our military grade security layer, making our products a very unique and compelling offer to our markets.

VIQ's customer base has historically focused on courts and legislatures where security is most important to protect highly sensitive evidence. By the end of 2017, the Company substantially transformed its business model by diversifying its customer base to 40% law enforcement and intelligence, 40% judicial and a fast evolving 20% medical.

VIQ's major emphasis on cybersecurity enables us to target high profile, high growth markets including immigration, intelligence, law enforcement, healthcare, insurance, legal, transcription and military. Substantial gains were achieved into new markets, resulting in important customer wins with police forces, medical institutions and law offices in Canada, the USA and Australia.

These new customer wins enhanced VIQ's profile and reputation for providing secure end-to-end evidence capture and management solutions. Our new visibility resulted in VIQ's participation in multiple

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pilot projects with large scale government agencies and organizations We anticipate converting many of these pilots to full rollouts during 2019.

In Australia, Spark & Cannon continues their market diversification, winning higher revenue, higher margin integrated software and service contracts. These have expanded to include the company providing front end capture technology in addition to the transcription services traditionally provided. VIQ is the only competitor with a complete end-to-end workflow. Our integrated solution covers from point of capture through transcription and reporting built into a cybersecure platform. In 2017, S&C successfully leveraged their stellar reputation as a transcription provider into multiple integrated contract wins with medical and law enforcement agencies across Australia.

In late 2016, the Company began the necessary infrastructure investments to transition toward a software as a service ("SaaS") revenue model. Given the size, nature and visibility of our sales pipeline, we anticipate this SaaS option will continue to gain traction in multiple markets including medical, law enforcement and other security conscious customers as they seek out secure, intelligent Cloud-based platforms available for a recurring monthly fee.

### **Strengths**

Global interest in securely managing multiple streams of AV data has accelerated. Furthermore, the rapid evolution and adoption of artificial intelligence is exploding in many markets.

Interrogation rooms are now fitted with digital recording devices to replace the outdated, insecure analog or DVD/Blu-ray based recording systems of the past. Those legacy systems are labour-intensive requiring manual intervention to transfer and analyse data. Similarly, hospital operating theatres and teaching facilities with digital recording devices improve quality-of-care and document procedures and training while maintaining privacy. Government agencies are replacing standalone audio recordings with network-based audio/video with workflow enabled enterprise platforms.

This improved capture technology and increased demand creates a new challenge: How to deliver insights from the vast amount of digital customer data while ensuring that the data is kept private and secure.

This is where VIQ excels. At the heart of our solution is a focus on security combined with workflow flexibility. With the addition of our aiAssist™ artificial intelligence platform, we now provide an end-to-end solution that includes capture, management, analysis and transcription that our competitors simply cannot match.

VIQ provides a secure and reliable synchronization technology from capture devices to central repositories. We capture audio-video feeds from virtually any device – smartphone, body cam, VoIP phone system, aerial drone, IP camera – and route the recording through our secure workflow where it is protected by more than a dozen cybersecurity methods and techniques.

Secure recordings are easily accessible to authorized and authenticated users. Once accessed they can be enhanced by a range of sophisticated workflow and artificial intelligence services such as automated transcription, redaction, multimedia attachments, remote live monitoring and more. This feature set enhances our ability to win and retain large scale national, federal and international customers managing large digital data stores. That opens further opportunities for these agencies to apply artificial intelligence to process and gain deeper insights by leveraging our SaaS aiAssist™ platform. All within the same military grade security environment.

VIQ seamlessly integrates a wide variety of third party hardware and software systems including: case

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management systems; body worn cameras; scheduling systems; digital sensors; medical equipment and more. We integrate with leading, established global partners such that through these partnerships we provide value added technologies that enhance our sophisticated secure workflow. This best of breed integration strategy carries through with our latest aiAssist™ solution. With aiAssist™, we deliver on the rapid advancement of artificial intelligence engines by the world's leaders such as Google, IBM, Microsoft, and Amazon that have been impossible prior to ai. Although very powerful, these engines are trained and built for mass market consumption. For vertically specific markets they do not deliver the specialized depth and knowledge that is required for these industries. Our approach with aiAssist™ is to leverage these best-of-breed ai technologies and apply our domain expertise. That combined with access to the petabytes of data we currently capture and store for our customers, allows us to build industry specific modules and combine them with basic ai engines for high-performance solutions. Our ai services modules combine these engines with proprietary industry knowledge and learning that is required for industry specific applications to succeed.

Our ai module-based service offerings are strategic as they are completely agnostic to the commercial ai engines, allowing us the flexibility to deliver the best ai engine for each vertical, while keeping our proprietary IP firewalled.

### ***Innovation and Intellectual Property***

VIQ is recognized as an innovation leader. A number of technological breakthroughs on our core offering were achieved recently that distanced VIQ from competitors and earned worldwide attention from partners and customers.

Subsequent to the end of the quarter VIQ was awarded a patent from the US Patent and Trademark Office for key high performance intellectual property related to competency-based training workflow leveraging secure AV and digital assessment and analytics. We have a number of additional patent applications underway that relate to our proprietary artificial intelligence algorithms, and we anticipate completing these patent filings by the end of 2018.

Cloud-based technology is another key strategic area where VIQ maintains technological leadership. In 2016 and 2017, we responded to increased demand for cloud-based solutions by making necessary infrastructure investments that would extend our lead in cybersecure content capture, mobility and zero-infrastructure solutions. To maximize customer choices, VIQ has leveraged leading global cloud providers including Amazon and Microsoft to deliver these solutions. The VIQ workflow is also compatible with private cloud solutions.

VIQ again led the market in early 2017 with the release of two secure smartphone apps for Apple and Android based devices. These apps were designed to seamlessly communicate with existing VIQ solutions, meet the same stringent security requirements and leverage the content management and collaboration solutions offered. The apps provide VIQ customers with mobile capture and simplified recording control. They are an integral part of both our patent pending workflow and shift toward a SaaS based revenue model.

### ***2018 and Beyond***

VIQ's pipeline expanded significantly in recent quarters and we are in the process of converting strategic pilot programs into full scale projects, particularly at the US federal level, the Canadian medical market and in Europe.

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Around the world, an increased focus on immigration, intelligence, law enforcement and homeland security produced increased interest in VIQ from federal government agencies. Multiple large-scale pilot projects are currently underway with international agencies related to digitization of evidence collection, associated workflow and collaboration.

VIQ anticipates several of these projects will convert to a full rollout in 2019. These pilots represent enterprise level wins with prestigious cybersecurity minded customers and will assure VIQ's reputation as the global leader for secure digital AV capture and management and collaboration managed services.

In North America, we continue to win new customers in the medical and law enforcement markets as well as expand service offerings to existing countrywide court and judicial installations. Following our success with the McMaster University School of Medicine, pilot projects are being advanced with Canadian and US medical institutions that we anticipate converting to implemented solutions in 2019.

The acquisition of Net Transcripts (see "Subsequent Event" below) broadens our market position in North America while providing an opportunity to increase the scale of our technology offering and serve a highly specialized group of public safety clients. These clients are experiencing unprecedented growth in the volume of digital video and audio being captured for evidence from mobile apps, drones, dash cams, body cameras and interrogation interviewed.

In Australia, we expect to continue winning new contracts with legal, law enforcement and medical agencies. Spark & Cannon, leveraging their reputation as a leading secure transcription provider have experienced increasing interest and success with integrated technology and service contracts which deliver higher revenue and margins. Through Spark & Cannon and Dataworxs, we have a complete end-to-end medical dictation, speech recognition and transcription solution that leverages the strength of partners like Nuance.

One of the highest growth opportunities for VIQ continues to be in recurring subscription revenue in the rapidly expanding SaaS and secure cloud markets, specifically leveraging our new aiAssist™ platform. We anticipate SaaS revenue will be a significant driver of new recurring revenue going forward as our cloud-based and artificial intelligence offerings start to gain traction with judicial, medical, law enforcement and other security minded customers. The size, nature and composition of our sales pipeline reinforces our belief that the growth path for VIQ lies in recurring subscription revenue and aligning artificial intelligence metered billing to the content being captured, managed and stored in VIQ's platform.

Critical technological innovations and significant new customer wins has established VIQ as the highest quality and feature-rich provider of advanced AV capture, management and collaboration solutions and services. As a result, VIQ now attracts attention from large scale government agencies around the world. We will continue experiencing normal sales cycle challenges as we progress through the pilot phase with sophisticated government agencies meeting their extreme security and cybersecurity scrutiny. Our successes with these extensive review processes boost the confidence in the strength of our solution and dictate the potential for several enterprise level customer wins. VIQ is committed to sustained growth and developing recurring revenue streams while we continue to invest in solutions, services and the resulting intellectual property.

### ***Business Highlights for the Period ended September 30, 2018***

- Revenues increased 0.3% to \$9.4 million for the nine months ended September 30, 2018 from \$9.3 million for the nine months ended September 30, 2017, reflecting the Company's ongoing SaaS revenue conversion from one-time software sales in previous years.

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- Extensive development efforts continued on our aiAssist™ artificial intelligence platform, ensuring accelerated new revenue generation from this transformative initiative in the fourth quarter of 2018 and into 2019.
- Formed new implementation team focused on NetScribe™ and aiAssist™. The team consists of documentation/transcription experts with extensive industry experience.
- The United Kingdom's Ministry of Justice Phase 2 upgrade was started with the initial pilot site demonstrating the latest features and advanced security added to the VIQ platform.
- Several large existing clients signed multi-year agreements transforming from standard licensing to our new SaaS offering and expanded services.
- Spark & Cannon, VIQ's Australian based reporting and transcription services division, was awarded a major new contract with a state police force for secure recording in interview rooms.
- Appointment of Susan Sumner, a highly experienced international executive, as Chief Operating Officer. Her primary mandate in supporting rapid revenue growth is to build a world-class operational infrastructure capable of adapting effectively and with speed to the varying technology and AI requirements of our markets around the globe.
- Launched new website at [www.viqsolutions.com](http://www.viqsolutions.com), which will progressively reflect VIQ's value proposition.

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***Subsequent Event***

On November 28, 2018 the Company completed the acquisition of Net Transcripts, Inc. of Phoenix, Arizona ("Net Transcripts") a leading provider of secure multi-speaker documentation services to law enforcement and criminal justice organizations in an all cash transaction of approximately \$6,800,000 plus acquisition related costs. The acquisition was financed through a combination of drawing on funds raised from a convertible debenture private placement ("Private Placement") and a drawdown of debt capital pursuant to a \$11,500,000 debt facility ("Debt Facility") entered into with Crown Capital Partner Funding LP ("Crown").

Net Transcripts is a market and trusted leader in law enforcement and is a substantial milestone in our growth strategy to expand our portfolio of services, opening up a significant and growing market in the United States. This highly fragmented market is undergoing major disruption due to artificial intelligence, which is encouraging customers to look at innovative ways to unlock the value of their digital media.

The definitive terms of the Debt Facility with Crown are as follows: Up to \$11,500,000 is to be utilized and drawn upon for strategic acquisitions. 9 million common share purchase warrants ("Crown Warrants") were issued by the Company to Crown in connection with the closing of the Debt Facility. Each Crown Warrant will be exercisable into one common share (the "Shares") in the capital of the Company at a price per Share equal to CAD\$0.162 for a period of five years following the closing of the Debt Facility. In addition, the Company issued to Crown 2,127,659 Shares at a deemed price of CAD\$0.141 per Share, which is equal to the 20-day volume weighted trading price of the Shares on the trading day immediately prior to the closing of the Debt Facility.

Pursuant to the Private Placement, the Company issued approximately \$6,000,000 worth of convertible debentures ("Convertible Debentures") and issued common share purchase warrants (the "Warrants"). Each Warrant is exercisable to acquire one Share at an exercise price of CAD\$0.162 for a period of two years from the Private Placement.

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## Operating Results

To better reflect the evolving profile of the Company's revenue, sales pipeline and cash flows, VIQ's financial results started to be reported in U.S. dollars ("USD") in 2017. The change in reporting currency provides shareholders with a more accurate reflection of the Company's financial performance and revenue, which is increasingly generated in USD. VIQ's USD transactions include sales to U.S. customers and other international customers who transact with VIQ in USD.

## Financial Highlights

(In thousands of dollars, except per share amounts)

	Interim	Statement	of	Three months ended			Nine months ended		
				September 30,			September 30,		
Consolidated Operations				2018	2017	Change	2018	2017	Change
Recurring				\$2,494	\$2,490	0%	\$7,310	\$6,793	8%
Non-recurring				561	738	(24%)	2,042	2,528	(19%)
Total revenue				3,055	3,228	(5%)	9,352	9,321	0.3%
Gross profit				866	1,404	(38%)	3,163	4,015	(21%)
% of revenue				28%	43%		34%	43%	
Selling and administrative expenses				1,237	940	(32%)	3,698	2,714	(36%)
Stock based compensation				101	(40)	N/M	217	287	24%
Net income (loss)				\$ (689)	\$ 117	N/M	\$ (1,127)	\$ 209	N/M
Net income (loss) per share				0.00	0.00		0.00	0.00	

Our revenue declined 5% for the three month quarter ended September 30, 2018 to \$3,055,320 from \$3,227,680 during the same period in 2017. EBITDA\* for the quarter was a loss of \$575,449 compared to positive EBITDA\* of \$439,708 for the same period in 2017. Adjusted EBITDA\* for the quarter was a loss of \$474,665 compared to positive Adjusted EBITDA\* of \$399,861 for the same period in 2017. Net loss for the quarter was \$688,859 compared to a net income in Q3 2017 of \$116,865.

Our revenue grew 0.3% for the nine months ended September 30, 2018 to \$9,352,446 from \$9,321,463 during the same period in 2017. EBITDA\* for the nine months was a loss of \$1,078,689 compared to positive EBITDA\* of \$825,653 for the same period in 2017. Adjusted EBITDA\* for the nine months was a loss of \$862,151 compared to positive Adjusted EBITDA\* of \$1,112,250 for the same period in 2017. Net loss for the nine months was \$1,221,827 compared to a net income of \$393,205 for the same period in 2017.

\* EBITDA (Earnings before Interest, Taxes, Depreciation & amortization) and Adjusted EBITDA (Earnings before Stock-based compensation, Interest, Taxes, Depreciation & amortization) are non-IFRS measures. Please refer to the section entitled "Reconciliation and Definition of Non-IFRS Measures."

EBITDA loss for the quarter and year to date period takes into account the accelerated investment in our Artificial Intelligence program. These growth investments will continue to drive future growth as client demands rapidly evolve to do more with their digital secured content. We plan to address these demands

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from our globally diversified clients via a series of aiAssist™ subscription services.

Recurring revenue for the three months ended September 30, 2018 grew by \$4,489 (0.0%) to \$2,494,164 compared to the same three month period in 2017 and for the nine months ended September 30, 2018 grew by \$517,063 (7.6%) to \$7,310,009 compared to the same nine month period in 2017. The increase year to date is due to higher recurring support and maintenance revenue, increased demand for the Company's subscription and cloud-based solutions and increased transcription volumes at Spark & Cannon. We anticipate subscription revenue in the technology division will continue to increase due to overall global market trends and increased demand from enterprise customers for cloud-based workflows.

Non-recurring revenue for the three months ended September 30, 2018 declined by \$176,849 (24.0%) to \$561,156 compared to the same period in 2017. For the nine months ended September 30, 2018 non-recurring revenue declined \$486,080 (19.2%) to \$2,042,437 compared to the same nine month period in 2017. The decrease is due to a shift in our revenue mix from non-recurring software license sales to recurring subscription revenue.

As the company continues to transition to subscription revenue particularly with aiAssist™ and Mobile Apps, it is anticipated that the non-recurring revenue will decrease and will be incrementally replaced with subscription recurring revenue.

The technology segment experienced a decline in revenue for the three months ended September 30, 2018 of \$164,298 (14.8%) to \$945,096 compared to the same period in 2017. For the nine months ended September 30, 2018 the technology segment experienced a decline in revenue of \$287,700 (8.3%) to \$3,181,523 compared to the same nine month period in 2017. We are experiencing declines in our traditional software licensing revenue as we transitioned new customers and existing customers that are renewing their software licenses to our SaaS software offering. This transition means that customers previously would purchase a software license at which point we would recognize revenue and then contract for annual support and maintenance as a fixed percentage of the original contract with support revenue recognized over time. Under our SaaS model customers pay for use of the software over a fixed time period between three and five years. We recognize SaaS revenue as it is earned. During this transition period we are forgoing upfront software license revenue for a more stable and higher value ongoing SaaS revenue, it opens up additional opportunities for revenue growth as customers don't have a large upfront software capital purchase to manage and allows us in future to provide add on options for customers to use during the contract period.

Revenue from our transcription and reporting segment declined for the three months ended September 30, 2018 \$8,062 (0.0%) to \$2,110,224 compared to the same period in 2017 For the nine months ended September 30, 2018 the transcription and reporting segmented experienced an increase in revenue of \$318,683 (5.4%) to \$6,170,923 compared to the same nine month period in 2017. Spark & Cannon continues to win new contracts in Australia. Revenue also increased as Spark & Cannon was awarded higher revenue integrated reporting and transcription contracts as opposed to transcription only contracts.

Since 2015, the Company has made a concerted effort to expand into market verticals outside of the historic court market in search of new growth opportunities. The Dataworx acquisition of 2015 brought an immediate change to our customer mix, but VIQ has continued to organically grow and win new customers in our targeted medical and law enforcement/public safety segments.

Revenue from the court markets continues to play a key role to support and expand our service offering at existing customer sites around the world. We expect that the medical and public safety market

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segments will continue to grow as they represent a larger portion of new customer growth for VIQ as well as current pipeline opportunities.

Our gross margins for three months ended September 30, 2018 were 28% compared to 43% in the same period of 2017. For the nine months ended September 30, 2018 gross margins were 34% compared to 43% in the same period in 2017. We experienced an increase in the gross margins of Spark & Cannon in Australia during 2018 compared to 2017 because of costs incurred in the previous year related to training and efficiencies in servicing a new contract. This increase in margins at Spark & Cannon was offset by lower margins in our Technology division during the quarter as we delivered a large order of hardware to one of our customers as they awarded us a technology and recording contract with a large hardware component. The technology division has experienced a decline in gross margins year to date as we also delivered a large order of hardware in the 2<sup>nd</sup> quarter of 2018. Although not a core business of the Company some customers request we fulfill their hardware needs along with purchasing our software. Our hardware revenues are normally at lower margins.

Selling and administrative expenses for the three months ended September 30, 2018 were \$1,237,344, an increase of \$297,082 (31.6%) from \$940,262 during the same period in 2017. For the nine months ended September 30, 2018 selling and administrative expenses were \$3,698,046, an increase of \$983,692 (36.2%) from \$2,714,354 for the same nine month period in 2017. In the United States, an increased focus on immigration, intelligence, law enforcement and homeland security led to increased interest in VIQ from multiple federal government agencies. We have added personnel to our sales, marketing and operating functions after a number of years of reducing our spending in these areas in line with our limited resources at the time.

Stock based compensation for the three months ended September 30, 2018 was \$100,784 compared to a recovery of \$39,367 in the same period in 2017. For the nine months ended September 30, 2018 stock based compensation was \$216,538 compared to \$286,597 in the same period in 2017. For the year to date period stock based compensation is lower than the same period in 2017 as we have not issued as many stock options in 2018 compared to 2017

Research and development expenses for the three months ended September 30, 2018 was \$103,777, an increase of \$39,489 (61.4%) from \$64,288 in the same quarter a year ago. For the nine months ended September 30, 2018 research and development expenses was \$327,188, an increase of \$138,346 (73.3%) from \$188,842 in the same period in 2017. Our research and development efforts are focused on developing new products for our customers. We capitalize our development efforts, (i) when there is a technical feasibility of completing the product, (ii) our intention is to complete the product and use or sell it, (iii) we have the ability to use or sell the product, (iv) we know or understand how we will generate probable future economic benefits, (v) we have adequate technical, financial and other resources to complete the development, and (vi) our ability to measure reliably the expenditures attributable to developing the product. We anticipate a number of these products to come to market in the latter half of 2018 at which time the capitalized costs will be amortized over the three-year expected life of each product. Costs associated with maintaining our existing products are expensed as they are incurred. During the quarter we added resources to our research and development team to accelerate the development of our new products, CyberCrypt and aiAssist™ and to continue to support our existing products resulting in a significant increase in our research and development expenditures, a significant portion of which is capitalized.

Basic and fully diluted net loss per common share for the three months ended September 30, 2018 was \$0.00 (2017 - \$0.00) and the basic and fully diluted loss per common share for the nine months ended September 30, 2018 was \$0.01 (2017 - \$0.00).

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### Financial Condition, Liquidity and Capital Resources

As at September 30, 2018, we had \$1,182,807 of cash as compared to \$4,112,123 as at December 31, 2017 for a net decrease in cash of \$2,929,316.

Cash used in investing activities was \$566,618 for the three months ended September 30, 2018 as compared to a cash usage of \$339,597 during the same period in 2017, primarily due to development costs which will provide future benefits. We expect cash used in investing activities will be maintained at current levels as we continue to invest in aiAssist™, make improvements to our web-based solutions, and our transition to a SaaS-based service offering.

Cash flow from financing activities was \$16,542 for the three months ended September 30, 2018 primarily due to options exercised by employees as compared to \$548,746 for the same period in 2017 when there was a large number of warrants exercised that were originally granted in our equity capital raise of December 2016.

At September 30, 2018, we had working capital of \$1,272,955 compared to working capital of \$3,668,852 at December 31, 2017.

We intend to use our funds to meet funding requirements for the development and commercialization of our technology products and 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.

### Contingent Off-Balance Sheet Arrangements

We have entered into indemnification agreements with our current directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, and amounts paid in settlement and damages incurred as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which they are sued as a result of their services. The nature of the indemnification agreements prevents us from making a reasonable estimate of the maximum potential amount we could be required to pay to counterparties. We have purchased directors' and officers' liability insurance. No amount has been recorded in the consolidated financial statements with respect to these indemnification agreements nor are we aware of any pending matter against the Company.

### Quarterly Results of Operations

The following table sets out certain unaudited quarterly results for the previous eight quarters. The information contained herein is drawn from the consolidated interim financial statements for each of the aforementioned periods.

	(000's of dollars)							
	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>Sept 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>
Revenue	\$3,0551	\$3,291	\$3,006	\$2,408	\$3,228	\$3,209	\$2,885	\$1,943
Gross profit	866	1,105	1,192	609	1,404	1,373	1,238	749

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Net income (loss)	\$ (689)	\$ (500)	\$ 62	\$ (1,060)	\$ 117	\$ 41	\$ 51	\$ (207)
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Quarterly results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. As a result, one quarter's operating results are not necessarily indicative of what a subsequent quarters operating results will be.

### Critical Accounting Policies and Estimates

For a complete description of the Company's Critical Accounting Policies and Estimates, including *Use of Estimates, and Accounting Standards Issued But Not Yet Applied*, please see the accompanying Notes to Consolidated Financial Statements for December 31, 2017 and 2016.

### Reconciliation and Definition of Non-IFRS Measures

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA which excludes Stock-Based Compensation, are non-IFRS measures used by management to provide additional insight into our performance and financial condition. We believe these non-IFRS measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the consolidated interim financial statements. Accordingly, we are presenting EBITDA and Adjusted EBITDA in this MD&A to enhance the usefulness of our MD&A. We have provided a reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS number, the purpose of the non-IFRS measures and how the non-IFRS measures are used in managing the business.

We report EBITDA and Adjusted EBITDA because it is a key measure for management to evaluate performance of our business and business segments. The Company believes EBITDA and Adjusted EBITDA assists investors in comparing our performance on a consistent basis without regard to depreciation and amortization and changes in stock-based compensation, both of which can vary significantly dependent on accounting methods or non-operating factors such as historical cost.

EBITDA and Adjusted EBITDA are not calculations based on IFRS and should not be considered as an alternative to net income (loss) in measuring the Company's performance. Investors should carefully consider the specific items included in our computation of EBITDA and Adjusted EBITDA.

The following is a reconciliation of EBITDA with net income (loss) for the three and nine months ended September 30, 2018 and 2017.

	Three months ended September 30,		Nine Months ended September 30,	
	2018	2017	2018	2017
Operating income (loss)	\$ (620,816)	\$ 247,011	\$ (1,221,827)	\$ 393,205
Add:				
Depreciation & amortization	45,367	192,697	143,138	432,448
EBITDA	\$ (575,449)	\$ 439,708	\$ (1,078,689)	\$ 825,653

The following is a reconciliation of Adjusted EBITDA with net income (loss) for the three and nine months ended September 30, 2018 and 2017.

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	Three months ended September 30,		Nine Months ended September 30,	
	2018	2017	2018	2017
Operating income (loss)	\$ (620,816)	\$ 247,011	\$ (1,221,827)	\$ 393,205
Add:				
Depreciation & amortization	45,367	192,697	143,138	432,448
Stock based compensation	100,784	(39,847)	216,538	286,597
EBITDA	\$ (474,665)	\$ 399,861	\$ (862,151)	\$ 1,112,250

## Internal Controls over Financial Reporting and Disclosure Controls and Procedures

In accordance with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

As part of our corporate governance practices, internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") have been designed. There has been no formal evaluation of the operation of these controls. The Company has designed its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management works 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.

The Company's DC&P have been designed to ensure that information required to be disclosed by VIQ Solutions is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. It should be noted that while the Company's CEO and CFO believe that the Company's DC&P provide a reasonable level of assurance that they are effective, they do not expect that the DC&P or ICFR will prevent all errors or fraud. There have been no material changes to the internal controls of the Company for the nine months ended September 30, 2018.

## Risk Factors

**Cash-flow:** VIQ Solutions' business operations are subject to all of the risks inherent in the establishment and maintenance of a developing business enterprise, such as competition and viable operations management. The future earnings and cash flow from operations of the Company are dependent, in part, on its ability to further develop and market its products. There can be no assurances that the Company will grow and achieve profitability. The operations of VIQ Solutions have been funded to date by external financing and if sufficient cash flow from operations or earnings is not generated in the future, additional financing might be required.

**Transition to SaaS Revenue:** The Company is in the process of transitioning its software product offerings

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from one-time license sales to a SaaS offering. This may cause revenue levels to decline compared to prior periods. One-time license sales allow the Company to recognize revenue upon the initial sale of the software to a customer. Revenues from SaaS are earned over a period of time contracted with the customer and their use of the software. Initial SaaS revenue will be lower but over the course of the contract will generally be cumulatively higher compared to one-time license sales.

**Fluctuations in Periodic Results:** The Company's operating results can vary substantially from period to period. Planned operating expenses are normally targeted to planned revenue levels for the period and are incurred equally throughout the period. If expenses remain relatively fixed, but the Company's revenues are less than planned in any quarter, the Company's operating results would be adversely affected for that quarter. In addition, incurring unplanned expenses could adversely affect operating results for the period in which such expenses are incurred. Failure to achieve periodic revenue, earnings and other operating and financial results could result in an immediate and adverse effect on the market price of the Company's common shares. The Company may not discover, or be able to confirm, revenue or earnings shortfalls until the end of a quarter, which could result in a greater immediate and adverse effect on the price of the common shares.

**Additional Financing and Access to Capital:** The Company may need to raise additional funds to bring its potential products to market and establish production and marketing capabilities. The Company's future capital requirements will depend on many factors, including continued progress in its research and development programs, competing technological and market developments, the cost of production scale-up, effective commercialization activities and arrangements and other factors not within the Company's control. The Company may seek additional funding through public or private financings.

**Competition:** The Company competes with a number of firms in various business segments. Competitors in Courts for example are different from the ones we are competing against in public safety, medical and legal. Some of these companies have greater financial, technological and personnel resources than those of the Company.

**International Operations:** The Company's operations are currently located in Canada and Australia and its products and services are sold internationally. There are certain risks inherent in international operations including, but not limited to, remote management, unexpected changes in regulatory requirements, export restrictions, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, fluctuations in currency exchange rates, and potential adverse tax consequences, which could have a materially adverse effect on the Company's business, operating results, and financial condition.

**Proprietary Intellectual Property:** The Company relies on protecting its proprietary intellectual property in part through confidentiality agreements with its corporate resellers, strategic partners, employees, consultants and certain contractors. There can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach, or that the Company's trade secrets will not otherwise become known or independently discovered by its competitors. It is possible that the Company's products or processes will infringe, or will be found to infringe, on patents not owned or controlled by the Company. If any relevant claims of third-party patents are upheld as valid and enforceable, the Company could be prevented from practising the subject matter claimed in such patents, or would be required to obtain licenses or redesign its products and processes to avoid infringement. There can be no assurance that such licenses would be available at all or on terms commercially reasonable to the Company or that the Company could redesign its products or processes to avoid infringement. Litigation may be necessary to defend against claims of infringement or to protect trade secrets. Such litigation could result in substantial costs and diversion of management efforts regardless of

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the results of such litigation and an adverse result could subject the Company to significant liabilities to third parties, require disputed rights to be licensed or require the Company to cease using such technology.

**Product Liability Exposure:** The Company faces an inherent business risk of exposure to product liability and other claims in the event that the development or use of its technology or prospective products is alleged to have resulted in adverse effects. While the Company has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that it will avoid significant liability exposure. Although the Company currently carries product liability insurance, there can be no assurance that the Company has sufficient coverage, or can obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products developed by the Company. A product liability claim could have a material adverse effect on the Company's business financial condition and results of operations.

**Volatility of Stock Price and Absence of Dividends:** The market price of the Company's common shares, like that of the common shares of many other software companies, has been and is likely to be somewhat volatile. Factors such as the Company's strategic alliances or its competitors', announcements of technological innovations or new products by the Company or its competitors, governmental regulatory actions, developments with the Company's collaborators, developments concerning patent or other proprietary rights of the Company or its competitors (including litigation), period-to-period fluctuation of the Company's operating results, changes in estimates of the Company's performance by securities analysts, market conditions for shares of software companies in general and other factors not within the control of the Company could have a significant adverse impact on the market price of the Company's common shares. The Company has never paid cash dividends on its common shares and does not anticipate paying any cash dividends in the foreseeable future.

**Foreign Currency Fluctuations:** Our monetary assets and liabilities denominated in currencies other than the Canadian dollar will give rise to a foreign currency gain or loss reflected in our comprehensive earnings. To the extent the Australian dollar weakens against the Canadian dollar, we may incur foreign exchange losses. Such losses would be included in our financial results and, consequently, may have an adverse effect on our share price. As we currently have a global customer base, a significant portion of our income is in US dollars and Great Britain pounds. However, a significant part of our expenses are currently generated in Canadian dollars, and we expect this will continue for the foreseeable future. The exchange rates between the Canadian dollar, the US dollar and the Great Britain pound are subject to daily fluctuations in the currency markets and these fluctuations in market exchange rates are expected to continue in the future. Such fluctuations affect both our consolidated revenues as well as our consolidated costs. Also, changes in foreign exchange rates may affect the relative costs of operations and prices at which we and our foreign competitors sell products in the same market. We do not currently have any currency hedging through financial instruments.

### Forward-looking Statements

This MD&A contains forward-looking statements about our achievements, the future success of our business and technology strategies, performance, goals and other future events. Management's assessment of future plans and operations, cash flows, methods of financing and the ability to fund financial liabilities, and the timing of and impact of adoption of IFRS and other accounting policies may constitute forward-looking statements under applicable securities laws and necessarily involve risks

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including, without limitation, the risks identified above. As a consequence, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although VIQ Solutions believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which VIQ Solutions operates, including significant changes in demand from our customers as a result of the impact of the global economic crisis and capital markets weakness; the risk of potential non-performance by counterparties, including but not limited to, customers and suppliers, during uncertain economic conditions; our dependence on a limited number of customers; our dependence on industries affected by rapid technological change; our ability to successfully manage our operations internationally including in the United Kingdom, Australia and the United States; the challenge of managing our financial exposures to foreign currency fluctuations; our ability to obtain qualified staff and services in a timely and cost-efficient manner; our ability to obtain financing on acceptable terms including anticipated sources of funding of working capital and financial losses which may include securing credit facilities, accessing new equity, corporate acquisitions or business combinations or joint venture arrangements; the ability to secure new contracts on terms acceptable to the Company; the ability to successfully develop new products; the Company's ability to effectively register, for protection, its new and existing products in certain jurisdictions; the Company's ability to protect new and existing products from proprietary infringement by third parties and its ability to effectively enforce such proprietary infringements; taxes in the jurisdictions in which the Company operates, including Canada, the United Kingdom, Australia and the United States; and VIQ Solutions' ability to successfully market its products. Readers are cautioned that the foregoing list of factors is not exhaustive.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's fiscal 2018 financial performance and may not be appropriate for other purposes. Readers are encouraged to read the section entitled "Risk Factors" in this MD&A for a broader discussion of the factors that could affect our future performance. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

### Disclosure of Outstanding Share Data

VIQ Solutions Inc. common shares trade on the TSX Venture Exchange under the symbol "VQS". The Company is authorized to issue an unlimited number of common shares without par value. On November 28, 2018 there were 163,563,938 common shares issued and outstanding, 12,867,197 stock options outstanding with a weighted average exercise price of \$0.135 CAD expiring between 2019 and 2023, 17,528,635 warrants outstanding with a weighted average exercise price of \$0.271 CAD expiring between 2019 and 2023 and 1,999,998 deferred share units outstanding with an average exercise price of \$0.064 CAD with an expiry between 2020 and 2021.