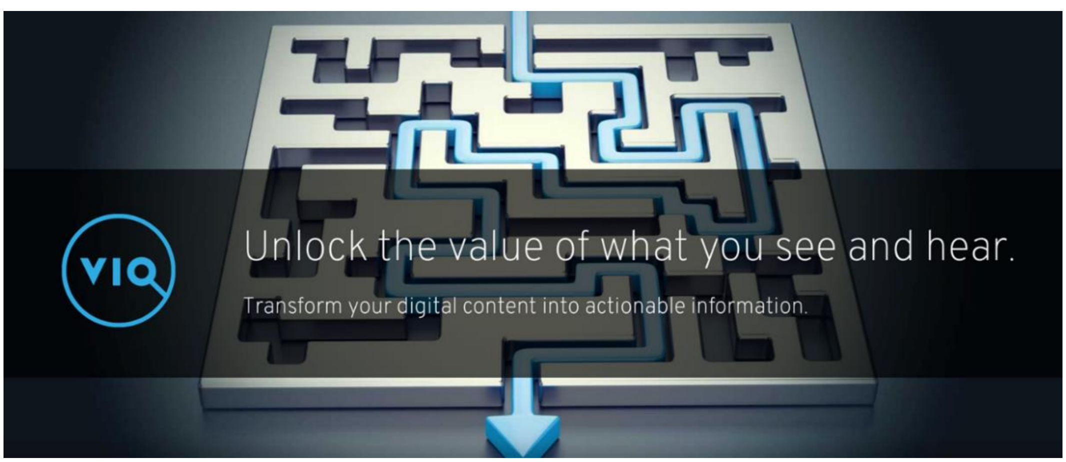
VIQ Solutions Inc.

Third Quarter 2020 Management's Discussion and Analysis of Financial Condition and Results of Operations

(Expressed in United States dollars)



https://viqsolutions.com/

VIQ Solutions Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations for Q3 2020

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 months ended September 30, 2020. The information contained herein should be read in conjunction with the Q3 2020 unaudited interim condensed consolidated financial statements prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB") and the audited consolidated financial statements for the year ended December 31, 2019 and 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" and "Risk Factors". The information in this discussion is provided as of November 27, 2020 unless we indicate otherwise.

Unless the context otherwise requires, all references to "VIQ", "Company", "VIQ Solutions", "our", "us", and "we" refer to VIQ Solutions Inc. and its subsidiaries. Additional information regarding the Company, including the Company's annual information form for the year ended December 31, 2019, is available on SEDAR at www.sedar.com. This MD&A is dated November 27, 2020. All amounts herein are presented in United States dollars, unless otherwise stated.

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 including, without limitation, the risks identified below including COVID-19 pandemic globally.

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 clients as a result of the impact of a global economic crisis and capital markets weakness; the risk of potential non-performance by counterparties, including but not limited to, clients and suppliers, during uncertain economic conditions; our dependence on a limited number of clients; 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 2020 outlook 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.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. Non-IFRS measures are used by management to provide additional insight into our performance and financial condition. We believe non-IFRS measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the consolidated financial statements. This MD&A also includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA. To evaluate the Company's operating performance as a complement to results provided in accordance with IFRS, the term "Adjusted EBITDA" refers to net income (loss) before adjusting earnings for stock-based compensation, depreciation, amortization, interest, net, accretion and other financing expense, (gain) loss on revaluation of conversion feature liability, loss on repayment of long term debt, other expense (income), FX (gain) loss, current income tax expense. We believe that the items excluded from Adjusted EBITDA are not connected to and do not represent the operating performance of the Company.

We believe that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed as well as expenses related to stock-based compensation, depreciation, amortization, other expense (income), and FX (gain) loss. Accordingly, we believe that this measure may also be useful to investors in enhancing their understanding of the Company's operating performance.

Adjusted EBITDA is not a measure recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income (loss) as determined in accordance with IFRS.

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Overview

VIQ Solutions combines artificial intelligence (AI)-driven voice and video capture technology and services to securely manage digital content in the most rigid security environments including courts, law enforcement, insurance, conferencing and media.

We help our cybersecurity focused clients securely speed the capture, creation, and management of large volumes of information, preserve the unique value of the spoken word and video image, and deliver meaningful data our security focus customers can utilize.

Globally, the Company's 1,300+ clients are engaged in a profound digital transformation driven by an expansion in the amount of evidence captured from audio, video, sensors, body cameras, drones, and smartphones that need to be documented. We enable our clients' digital transformation by implementing cybersecure capture solutions, driving the migration to Cloud solutions, enabling hybrid technology services with human to machine workflow, and employing Artificial Intelligence tools such as speech recognition, sentiment analysis, markets specific lexicon and algorithms

Our revenue consists primarily of technology services, software license fees, support and maintenance and other recurring fees, professional service fees, and hardware sales. Technology service revenue consists of fees charged for recurring services provided to our customers. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under perpetual arrangements and to a lesser extent sale of third party license software. Support and maintenance and other recurring revenue primarily consist of fees charged for customer support on our software products post-delivery and also includes, to a lesser extent, recurring fees derived from software as a service. Professional service revenue consists of fees charged for customization, implementation, integration, training and ongoing services associated with our software products and technology services. Hardware revenue include the resale of third party hardware that forms part of our customer solutions. Occasionally our customers may purchase a combination of software, maintenance, professional services and hardware, although the type, mix and quantity vary by customer and by product.

Cost of sales consists primarily of staff costs, professional services and the cost of hardware and third party licenses to fulfill customer arrangements.

Selling and administrative expenses consist primarily of personnel and related costs for our sales and marketing functions, including salaries and benefits, contract acquisition costs including commissions earned by sales personnel, direct marketing campaigns, public relations and other promotional activities. Selling and administrative expenses also consist of primarily of personnel and related costs associated with the administrative functions of our business including corporate, finance, and internal information system support as well as legal, accounting, other professional fees, investor relations, occupancy costs and insurance.

Research and development expenses include personnel and related costs for ongoing research, development and product management initiatives.

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Key Operating Highlights during Q3 2020

- Total revenue for the three months ended September 30, 2020 was $8,172,800, an increase of $1,721,723 or 27% from $6,451,077 recognized in the comparative period in 2019;
- Gross margin of $4,904,121 represented 60% of revenue versus 45% of revenue in the prior year. Gross margin was favorably impacted by COVID-19 wage subsidies of $1,439,133; and
- Adjusted EBITDA of $1,886,129 increased by 305% year-over-year, driven by higher revenue, productivity gains in technology services and wage subsidies.

Impact of 2020 acquisitions:

For the three month and nine month periods ended September 30, 2020 consolidated revenues of $8,172,800 and $23,974,019 include revenue from acquisitions of $2,723,310 and $7,329,223 respectively.

Net loss for the three month and nine month periods ended September 30, 2020 of $345,862 and $7,287,766 include profit from acquisitions of $1,148,506 and $2,064,145 respectively.

During the nine months ended September 30, 2020, the Company incurred $19,058 in business acquisition costs related to the acquisitions which have been expensed and included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (September 30, 2019 - $nil).

If the acquisitions would have occurred on January 1, 2020, management estimates that the pro forma consolidated revenue for the nine month period ended September 30, 2020 would have been $25,686,400 and net loss for the nine month period ended September 30, 2020 would have been $7,015,832 as compared to the amounts reported in the interim condensed consolidated statements of loss and comprehensive loss for the nine month period ended September 30, 2020. This unaudited pro forma financial information is for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented or the results that may be realized in the future.

Results of Operations

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: revenue, expenses, Adjusted EBITDA, and net income (loss). We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts, and prior period performance.

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The following table sets forth a summary of our results of operations for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30		Period over Period Change		Nine months ended September 30		Period over Period Change	
	2020	**2019**	**$**	**%**	**2020**	**2019**	**$**	**%**
Revenue	8,172,800	6,451,077	1,721,723	27	23,974,019	18,999,758	4,974,261	26
Cost of sales	3,268,679	3,551,057	(282,378)	(8)	10,789,728	10,612,358	177,370	**2**
Gross profit	4,904,121	2,900,020	2,004,101	69	13,184,291	8,387,400	4,796,891	57
Operating Expenses								
Selling and administrative expenses	2,693,818	2,147,702	546,116	25	8,161,584	6,461,000	1,700,584	26
Research and development expenses	324,174	286,531	37,643	13	786,032	718,966	67,066	9
Total Operating expenses	3,017,992	2,434,233	583,759	24	8,947,616	7,179,966	1,767,650	25
Adjusted EBITDA	**1,886,129**	**465,787**	**1,420,342**	**305**	**4,236,675**	**1,207,434**	**3,029,241**	**251**
Stock based compensation expense	106,536	109,272	(2,736)	(3)	637,514	223,853	413,661	185
Depreciation	144,290	140,688	3,602	3	347,363	405,731	(58,368)	(14)
Amortization	1,216,245	782,199	434,046	55	3,381,393	2,166,093	1,215,300	56
Interest, net	371,413	409,201	(37,788)	(9)	4,441,981	1,145,641	3,296,340	288
Accretion and other financing expense	330,047	270,603	59,444	22	734,100	696,983	37,117	5
(Gain) loss on revaluation of conversion feature liability	(16,407)	(1,558,119)	1,541,712	99	474,404	(1,595,221)	2,069,625	130
Loss on repayment of long term debt	-	-	-	-	1,290,147	-	1,290,147	-
Other expense (income)	(87,368)	3,718	(91,086)	(2,450)	(87,071)	-	(87,071)	-
FX (gain) loss	21,709	16,231	5,478	34	(285,191)	162,870	(448,061)	275
Income (loss) before income taxes	(200,336)	291,994	(492,330)	(169)	(6,697,965)	(1,998,516)	(4,699,449)	(235)
Current income tax expense	228,418	-	228,418	-	672,693	-	672,693	-
Deferred income tax (recovery)	(82,892)	-	(82,892)	-	(82,892)	-	(82,892)	-
Income tax expense (recovery)	145,526	-	145,526	-	589,801	-	589,801	-
Net income (loss)	**(345,862)**	**291,994**	**(637,856)**	**(218)**	**(7,287,766)**	**(1,998,516)**	**(5,289,250)**	**(265)**
Weighted average number of common shares outstanding								
Basic	18,494,247	9,549,609			17,321,476	9,382,728		
Diluted	18,494,247	10,044,578			17,321,476	9,382,728		
Net income (loss) per share								
Basic	**(0.02)**	**0.03**			**(0.42)**	**(0.21)**		
Diluted	**(0.02)**	**0.03**			**(0.42)**	**(0.21)**		

(1) Adjusted EBITDA (Earnings before stock-based compensation, depreciation, amortization, interest, net, accretion and other financing expense, (gain) loss on revaluation of conversion feature liability, loss on repayment of long term debt, other expense (income), FX (gain) loss, and current income tax expense is a non-IFRS measure. Please refer to the section entitled "Non-IFRS Measures."

(2) Q3YTD Net loss includes $5.1M in expenses relating to the conversion feature, interest, and loss on repayment of long term debt for the conversion of the convertible debenture to equity and $3.4M of amortization related to the intellectual property acquired from the acquisitions and the commercial deployments of NetScribe, aiAssist, and MobileMic Pro.

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Comparison of the three and nine month periods ended September 30, 2020 and 2019

Revenue

Total revenue for the three months ended September 30, 2020 was $8,172,800, an increase of $1,721,723, or 27%, from $6,451,077 recognized in the comparative period in 2019. Total revenue for the nine months ended September 30, 2020 was $23,974,019 an increase of $4,974,261, or 26%, from $18,999,758 recognized in the comparative period in 2019. Revenue growth of 27% for Q320 is made up of 42% due to acquisitions offset by negative organic growth of (15%) from the legacy business. Included in Q320 revenue of $8,172,800 is $2,723,310 related to acquisitions with the balance of $5,449,490 derived from the legacy business. As expected, we have seen our business impacted both positively and negatively by the pandemic. Our insurance, law enforcement and courts sectors were negatively impacted by COVID-19; however, some of this was offset by increased revenue from the conferencing and media as more of our customers migrated to online solutions. The primary reason for the negative organic growth for the three and nine months ended September 30, 2020 was the impact of COVID-19. Travel restrictions have negatively impacted the ability to sell our technology services and software and many businesses have delayed buying decisions.

Cost of Sales

Cost of Sales for the three months ended September 30, 2020 decreased by $282,378, or 8%, to $3,268,679, from $3,551,057 for the comparative period in 2019. For the nine months ended September 30, 2020, Cost of Sales increased by $177,370, or 2%, to $10,789,728, compared to $10,612,358, over the comparative period in 2019. Cost of sales include wage subsidies of $1,439,133 in Q320 and $2,840,813 in Q320 YTD. Cost of sales in Q320 was also favourably impacted by customers transitioning to the NetScribe platform.

Gross Profit

Gross profit for the three months ended September 30, 2020 increased by $2,004,101, or 69%, to $4,904,121, from $2,900,020, for the comparative period in 2019. For the nine months ended September 30, 2020, gross profit increased by $4,796,891, or 57%, to $13,184,291, compared to $8,387,400, for the comparative period in 2019. The higher gross profit for the three and nine months ended September 30, 2020 was as a result of the reduced cost of sales as discussed in the preceding paragraph.

Selling and Administrative Expenses

Selling and Administrative expenses for the three months ended September 30, 2020 increased by $546,116, or 25%, to $2,693,818, from $2,147,702, for the comparative period in 2019. For the nine months ended September 30, 2020, Selling and Administrative expenses increased by $1,700,584, or 26%, to $8,161,584, compared to $6,461,000, for the comparative period in 2019. The Company has taken appropriate measures to manage selling and administrative expenses in conjunction with the negative organic growth resulting from COVID-19. Increase in Selling and Administrative expenses for the three and nine months ended September 30, 2020 was primarily due to the growth in the number of employees compared to the same periods in 2019 primarily due to acquisitions along with professional service fees.

Research and Development

Research and development expenses for the three months ended September 30, 2020 increased by $37,643, or 13%, to $324,174, from $286,531, for the comparative period in 2019. For the nine months ended September 30, 2020, Research and Development expenses increased by $67,066, or 9%, to $786,032, compared to $718,966, for the comparative period in 2019.

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Stock Based Compensation

For the three months ended September 30, 2020, Stock Based Compensation decreased by $2,736, to $109,536, from $109,272, recognized in the same period of 2019. For the nine months ended September 30, 2020, Stock Based Compensation increased by $413,661, to $637,514, from $223,853, recognized in the comparative period in 2019. Increase in Stock Based Compensation for the nine months ended September 30, 2020 due to more stock options being granted compared to the same period in 2019.

Depreciation

For the three months ended September 30, 2020, Depreciation increased by $3,602, to $144,290, from $140,688 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, Depreciation decreased by $58,368, to $347,363, from $405,731, in the comparative period in 2019. Decrease in depreciation expense for the nine months ended September 30, 2020 is due primarily to the declining balance method of depreciation used by the Company in that as the net book value decreases, in the absence of any significant additions, the depreciation expense is expected to decrease over the life of the assets.

Amortization

For the three months ended September 30, 2020, Amortization increased by $434,046 or 55%, to $1,216,245, from $782,199 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, Amortization increased by $1,215,300 or 56%, to $3,381,393, from $2,166,093, in the comparative period in 2019. The increase in amortization expense for the three and nine months ended September 30, 2020 is primarily attributable to an increase in the carrying value of our intangible asset balance as a result of acquisitions completed during the nine months period ended September 30, 2020.

Interest, net

For the three months ended September 30, 2020, interest decreased by $37,788, to $371,413, from $409,201 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, Interest increased by $3,296,340, to $4,441,981 from $1,145,641 in the comparative period in 2019. Increase in Interest for the nine month period is primarily due to the conversion of the convertible debenture to equity.

Accretion and Other Financing Expense

For the three months ended September 30, 2020, Accretion and Other Financing expense increased by $59,444, to $330,047, from $270,603 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, Accretion and Other Financing expense increased by $37,117, to $734,100 from $696,983 in the comparative period in 2019. There are no individually material reasons contributing to the variances.

(Gain) Loss on revaluation of Conversion Feature Liability

For the three months ended September 30, 2020, (Gain) Loss on revaluation of Conversion Feature Liability decreased by $1,541,712, to a gain of $16,407 from $1,558,119 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, (Gain) Loss on revaluation of Conversion Feature Liability decreased by $2,069,625, to a loss of$474,404 from a gain of $1,595,221 in the comparative period in 2019. The variance is primarily due to the fluctuation of foreign exchange rates and the changes in the stock price.

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Loss on repayment of long term debt

The loss on repayment of long term debt amount recorded for the nine months period ended September 30, 2020 is due to the re-pricing of the conversion price of the convertible debenture to C$2.18 per share resulting in a charge of $1,290,147 reflecting the incremental fair value of the reduced exercise price.

Other Expense (Income)

For the three months ended September 30, 2020, Other Expense (Income) decreased by $91,086 to an income of $87,368 from an expense of $3,718 recognized in the comparative period in 2019. This increase is mainly due to the contingent consideration income amount recorded for the three months ended September 30, 2020 and relates to a decrease in anticipated acquisition earnout payment accruals primarily as a result of decreases to revenue forecasts for the ASC and WordZ acquisitions due to the COVID-19 pandemic. Revenue forecasts are updated on a quarterly basis and the related anticipated acquisition earnout payment accruals are updated accordingly. For the nine months ended September 30, 2020, Other income was recorded of $87,071 from $0 in the comparative period in 2019.

FX (Gain) Loss

For the three months ended September 30, 2020, FX (Gain) Loss increased by $5,478, to $21,709, from $16,231 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, FX (Gain) Loss decreased by $448,061 to a gain of $285,191 from a loss of $162,870 in the comparative period in 2019 due to fluctuations in the foreign exchange rates. Our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. Foreign exchange gain and losses are primarily related to the unrealized foreign translation gains and losses of certain non-US dollar denominated working capital balances to US dollars.

Income Taxes

We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the three months ended September 30, 2020, income taxes, net of deferred income tax recovery, increased by $145,526 from $0 recognized in the comparative period in 2019. For the nine months ended September 30, 2020, Income Taxes, net of deferred income tax recovery increased by $589,801 from $0 in the comparative period in 2019.

Net income/(loss) and Earnings per share

Net loss for the three months ended September 30, 2020 was $345,862 compared to net income of $291,994 for the same period in 2019. On a per weighted average share basis, this translated into a net loss per share of $0.02 in the three months ended September 30, 2020 compared to a net income per weighted average share of $0.03 for the same period in 2019. For the nine months ended September 30, 2020, net loss was $7,287,766 or $0.42 per weighted average share compared to a net loss of $1,998,516 or $0.21 per weighted average share for the same period in 2019.

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Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended September 30, 2020. Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period to period comparisons should not be relied upon as an indication of the Company's future performance.

	(unaudited)							
	Sep-20	**Jun-20**	**Mar-20**	**Dec-19**	**Sep-19**	**Jun-19**	**Mar-19**	**Dec-18**
Revenue	8,172,800	8,253,015	7,548,204	6,096,550	6,451,077	6,189,458	6,359,223	2,110,358
Net income (loss)	(345,862)	(936,531)	(6,005,373)	(2,525,682)	291,994	(1,519,355)	(771,155)	(4,939,420)
Weighted average number of shares outstanding:								
Basic	18,494,247	18,364,354	15,092,939	10,848,296	9,549,609	9,416,779	9,177,708	8,177,024
Diluted	18,494,247	18,364,354	15,092,939	10,848,296	10,044,578	9,416,779	9,177,708	8,177,024
Net income (loss) per share:								
Basic	(0.02)	(0.05)	(0.40)	(0.23)	0.03	(0.16)	(0.08)	(0.60)
Diluted	(0.02)	(0.05)	(0.40)	(0.23)	0.03	(0.16)	(0.08)	(0.60)

Key factors that account for the fluctuation in quarterly results include the variability in the Company's revenue due to timing of acquisitions and seasonality of revenue. Seasonality impacts the transcription services industry in that it is impacted in some cases by summer holiday seasons, such as court closings in January in Australia, and the Thanksgiving and December holidays in the US. It also has a slight impact in US summer period. Our quarterly results may also fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income/(loss) on a quarterly basis depending upon the timing of certain expenses or gains, which may include changes in provisions and acquired contract liabilities.

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Liquidity

As of September 30, 2020, we held cash of $4,142,272. We believe that ongoing operations, working capital and associated cash flows in addition to our cash resources provide sufficient liquidity to support our ongoing business operations and satisfy our obligations as they become due. If we continue to acquire accretive businesses we may need additional external funding depending upon the size and timing of the potential acquisitions.

Below is a summary of our cash provided by (used in) operating, investing, and financing activities for the periods indicated:

	Nine months ended September 30,	
	2020	**2019**
Cash provided by (used in) operating activities	3,454,625	(716,398)
Cash provided by (used in) investing activities	(5,806,601)	(1,357,020)
Cash provided by (used in) financing activities	4,786,137	2,388,336
Net increase (decrease) in cash for the period	2,434,161	314,918
Cash, beginning of period	1,707,654	1,922,768
Effect of foreign exchange	457	41,682
Cash, end of period	**4,142,272**	**2,279,368**

Cash provided by (used in) operating activities

We generated cash of $3,454,625 from operating activities for the nine months ended September 30, 2020. The $3,454,625 provided by operating activities resulted from $7,287,766 in net loss plus $11,065,406 of non-cash adjustments to net loss and $323,015 attributable to movements in non-cash working capital with changes primarily arising from an increase in accounts receivable and prepaid expenses, offset by an increase in accounts payable and accrued liabilities.

Cash provided by (used in) investing activities

For the nine months ended September 30, 2020, cash used in investing activities was $5,806,601, which consisted of purchase of property and equipment of $181,710, business acquisitions of $4,507,606, development costs related to internally generated intangible assets $1,116,605 and change in restricted cash of $680.

Cash provided by (used in) financing activities

Cash provided by financing activities for the nine months ended September 30, 2020 were $4,786,137, which is mainly a result of proceeds from debt of $4,566,945 to complete ASC and WordZ acquisitions, proceeds from the exercise of stock options and warrants of $10,952 and$1,859,963 respectively, offset by repayment of debt of $573,684, repayment of lease obligations of $263,221, repayment of interest on lease obligations of $44,181, and repayment of interest on debt of $770,437.

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Debt covenants

As of September 30, 2020 we have satisfied all debt covenants required under the credit facility with Crown Capital Partners.

Capital Resources

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as develop new ones to maintain our competitive advantage, pursue accretive acquisitions and provide sufficient resources to meet day-to-day operating requirements, while managing financial risk. We intend to use our operating income and funds on hand to meet funding requirements for the development and commercialization of our technology products and services based on anticipated market demand and working capital purposes. 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.

Our officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. Our Board of Directors is responsible for overseeing this process. We manage capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

Other commitments

Commitments include operating leases for office equipment and facilities. Also, occasionally we structure some of our acquisitions with contingent consideration based on the future performance of the acquired business. The fair value of contingent consideration recorded in our Interim Condensed Consolidated Financial Statements was $5,229,101 at September 30, 2020.

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.

Critical Accounting Policies and Estimates

The preparation of the 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 affected by management's application of accounting policies and 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.

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Our significant accounting policies are fully described in Note 3 to our financial statements for the years ended December 31, 2019 and 2018 which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations, and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. We believe that there have been no significant changes in our critical accounting estimates for the nine months ended September 30, 2020 from the years presented in our annual financial statements for the years ended December 31, 2019 and 2018.

Reconciliation of Non-IFRS Measures

The following is a reconciliation of Net Loss to Adjusted EBITDA, the most directly comparable IFRS measure for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30		**Nine months ended September 30**	
	2020	**2019**	**2020**	**2019**
Net income (loss)	**(345,862)**	**291,994**	**(7,287,766)**	**(1,998,516)**
Add:				
Depreciation	144,290	140,688	347,363	405,731
Amortization	1,216,245	782,199	3,381,393	2,166,093
Interest, net	371,413	409,201	4,441,981	1,145,641
Current income tax expense	228,418	-	672,693	-
Deferred income tax recovery	(82,892)	-	(82,892)	-
EBITDA	**1,531,612**	**1,624,082**	**1,472,772**	**1,718,949**
Accretion and other financing expense	330,047	270,603	734,100	696,983
(Gain) loss on revaluation of conversion feature liability	(16,407)	(1,558,119)	474,404	(1,595,221)
Loss on repayment of long term debt	-	-	1,290,147	-
Other expense (income)	(87,368)	3,718	(87,071)	-
Stock based compensation expense	106,536	109,272	637,514	223,853
FX (gain) loss	21,709	16,231	(285,191)	162,870
Adjusted EBITDA	**1,886,129**	**465,787**	**4,236,675**	**1,207,434**

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 three and nine months ended September 30, 2020.

Risk Factors

COVID-19: Details about COVID-19 risks and impacts on the company is provided below in the COVID-19 section.

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 from license sales to a SaaS offering. This may cause revenue levels to decline compared to prior periods. License sales allow the Company to recognize revenue upon the initial sale of the software to a client. Revenues from SaaS are earned over a period of time contracted with the client 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 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, enhance our marketing capabilities, and pursue potential future acquisitions. The Company's future capital requirements will depend on many factors, including continued

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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.

Identify and Acquire Suitable Acquisitions: The Company may not be able to identify suitable new acquisitions that are available to purchase at a reasonable value. Even if a suitable acquisition can be identified, the acquisition may not proceed if suitable terms cannot be negotiated. When conducting due diligence on a potential acquisition, it cannot be assured that all the risks and costs inherent in the business being acquired will be identified. If an acquisition of an identified business were to proceed in which a portion or all of the consideration consisted of cash, additional funding may be required through public or private financings if internally generated cash resources are not sufficient.

Successfully Integrate Acquired Businesses: Integration of completed business acquisitions and any future acquisitions involves a number of special risks, including the following:

- Failure to integrate successfully the personnel, information systems, technology and operations of the acquired business;
- Failure to maximize the potential financial and strategic benefits of the acquisition;
- Failure to realize the expected synergies of the acquired business;
- Possible impairment of relationships with employees and clients as a result of any integration of new businesses and management personnel;
- Impairment of goodwill; and
- Reductions in future operating results from the amortization of intangible assets.

Future acquisitions are accompanied by the risk that obligations and liabilities of an acquired business may not be adequately reflected in the historical financial statements of the business and the risk that historical financial statements may be based on assumptions, which are incorrect or inconsistent with the Company’s assumptions or approach to accounting policies. The acquisition and integration of businesses may not be managed effectively and any failure to do so could lead to disruptions in the overall activities of the Company, a loss of clients and revenue, and increased expenses. The Company may acquire contingent liabilities in connection with the acquisitions of business, which may be material. Best efforts are used to identify and estimate these contingent liabilities and the likelihood that they will materialize but these estimates could differ materially from the liabilities actually incurred.

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, the United States, 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 practicing 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 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 an 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 United States dollar will give rise to a foreign currency gain or loss reflected in our comprehensive earnings. To the extent the Canadian dollar or Australian dollar weakens against the United States 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 client base, a significant portion of our income is in US dollars and Australian dollars. 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 Australian dollar 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.

COVID-19

Since September 30, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize the financial markets. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the duration and severity of these developments.

VIQ Solutions has taken what it believes to be the appropriate measures to ensure continuity of its business during the COVID-19 health crisis:

- VIQ remains on a high growth path that includes diversified revenue sources across multiple markets and regions. Diversified customer base enables the Company to mitigate any market declines from some markets with significant surges in others;
- While some markets and regions are more directly impacted, others such as Conferencing and Media are experiencing increased demand;
- More than 95% of VIQ global workforce is working remotely with high productivity levels, up from our previous level of approximatively 80%;
- Migration from office to online work and ever-increasing demand for high-quality turnaround time on documentation is now more essential than ever to enable crucial business continuity during COVID-19 for our clients;
- The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company;

The Governments of various jurisdictions in which we have operations have approved legislation and taken administrative actions intended to aid businesses that have been adversely impacted by COVID-19, including making grants or credits available to eligible entities to subsidize or offset qualifying expenses, including employee wages and associated costs, office rent, utilities, in each case subject to limits and other specified criteria. During the nine months ended September 30, 2020, we determined that we qualify for an estimated aggregate amount of $3,894,067 of grants from various government authorities, and recognized such amounts as a reduction in expenses during the nine months ended September 30, 2020. We have either submitted, or expect to submit, claims for such grants. As at September 30, 2020, the amount of grants receivable totaled $375,138 and deferred assistance of $324,552. We will continue to evaluate all applicable government relief programs and intend to apply for subsequent application periods, if we meet the qualification criteria. There can be no assurance that COVID-19 related governmental assistance to offset our costs will be available in Q4 2020 (or thereafter), and if so whether we will qualify for or receive any such assistance.

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Disclosure of Outstanding Share Data

VIQ Solutions Inc. common shares trade on the TSX Venture Exchange under the symbol "VQS" and VQSLF on the OTCQX in the United States. The Company is authorized to issue an unlimited number of common shares without par value. As at November 27, 2020 there were (i) 23,201,424 common shares issued and outstanding, (ii) 1,117,933 stock options outstanding with a weighted average exercise price per common share of $2.84 CAD expiring between 2021 and 2025, (iii) 1,123,878 warrants outstanding with a weighted average exercise price per common share of $2.40 CAD expiring between 2020 and 2023; (iv) 66,667 deferred share units outstanding with an average exercise price per common share of $1.20 CAD with no expiry date; and (v) $388,615 of convertible notes outstanding each bearing interest at a rate of 10% per annum, the principal and interest of which is convertible into up to 390,003 common shares at the option of the holder at a conversion price of $2.18 per common share.