



VIQ Solutions Inc.

First Quarter 2019 Management's Discussion and Analysis of
Financial Condition and Results of Operations

(Expressed in United States dollars)

VIQ Solutions Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations for Q1 2019

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 first quarter of 2019. The information contained herein should be read in conjunction with the audited consolidated financial statements for the quarter end March 31st, 2019.

The 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 consolidated financial statements are based on IFRS policies effective as of May 7th, 2019, the date the Board of Directors approved the consolidated financial statements for the quarter.

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. This MD&A is dated May 7th, 2019. All amounts herein are presented in United States dollars, unless otherwise stated.

Trends in Our Business

VIQ is a global provider of secure, AI-driven, digital voice and video capture technology and services that revolutionize critical evidence workflow within highly compliant, security-focused and regulated public and private sectors, such as the public safety, insurance, justice and governmental/agency markets.

Globally, the company's 1,200 customers are in the midst of a dramatic expansion of evidence captures from audio, video, sensors, body cameras, drones and smartphones.

As volumes continued to increase, operational pressure to transform digital evidence to documents and transcripts particularly for multi recordings and multi speakers more rapidly, more securely and more cost effectively drive the digital transformation for our clients. We enable our clients' digital transformation via cybersecurity, secured capture, migration to the Cloud, hybrid technology services SaaS, Human to Machine Workflow, Artificial Intelligence tools such as speech recognition, sentiment analysis, Markets Specific Lexicon and Algorithms. These trends will accelerate in future.

VIQ is in full execution mode, driving strategy through the next level of integration and acquisitions and continuing to create long-term enterprise value for shareholders.

Our acquisition of three leading transcription providers in the United States at year-end expanded our document transcription services business with the provision of secure multi-speaker transcription services to law enforcement, major insurance companies and criminal justice organizations. These extend our total addressable market to an estimated \$6 Billion in the US Transcription market alone, comprising \$4 Billion in Government services and \$2 Billion in Insurance related services.

Like Healthcare was a decade ago, these markets are highly fragmented and at the early stage of a substantial digital transformation as machine learning and AI are becoming a fit for multi speakers and humans to machines collaboration in a highly secured cloud environment.

We now have more than 1,200 customers throughout the United States, Australia, Canada and EMEA. Our customers capture approximately 350M minutes a year of audio and video evidence either through VIQ capture products and/or a range of third-party products. Out of that content, VIQ currently transcribes

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30M minutes annually, less than 10% of our customer volume and the equivalent of \$20.8M in recurring revenue per year for the company at today's price points per word, per page and per minute.

Our growth opportunity for 2019 and 2020 comes from increasing our market share and improving operating margins in the regions where we operate through global adoption of VIQ industry pioneering AI-based integrated human and machine workflow. The company plans to increase transcribed volume by 100% to 60M minutes a year and double its recurring revenue to \$40M as a baseline revenue by end of 2020 before factoring in new sales. The technology and talent investments are made to scale.

We see significant positive trends in our customer requirements that align with our product strategy, including:

- I. A dramatic expansion of evidence captures from audio, video, sensors and through a broader range of next generation microphone arrays, mobile cameras, drones and smartphones. In parallel, there is an increasing need to find better methods to access and analyze content;
- II. A greater focus on captured and distributed content security and privacy for purposes of evidence documentation. Especially as cyberattacks grow increasingly sophisticated and more state-sponsored;
- III. A growing interest in and implementation of secure Cloud-based storage;
- IV. An increased rate of adoption of mobile and software-as-a-service capabilities and;
- V. A greater demand for AI capabilities to assist people with workflow, data mining and data analytics.

Law Enforcement

The industry continues to trend towards leveraging technology for multi-channel evidence recording and leveraging various AI tools such as speech recognition for document generation.

Demand is increasing for our latest capture and processing products, such as MobileMicPro™ and aiAssist™. At their core, these are powerful new market-specific AI and workflow technologies with advanced cybersecurity and content protection. A critical requirement to our Law Enforcement technology is access to and processing of millions of minutes of audio content. The content our customers capture and manage is more than enough to generate proprietary lexicons that reflect our market's needs.

Our Law Enforcement transcription services continue to see an ever expanding need for securing content at all stages of workflow. Early implementations stress how significant this is a major factor in purchase decisions.

Justice

Many of our long-term customers and new prospects are looking outside the traditional on-premise, licensed solutions and are raising the importance of simple interfaces with sophisticated back-end capabilities. Extended period storage of massive amounts of captured content, documentation and audio/video files is beginning to exceed what makes sense for on-premise storage. We are experiencing increasing interest in new secure Cloud offerings from long-term customers in order to increase security and drive operating costs down via machine draft transcription. Provision of integrated services is also a significant opportunity as customers and prospects seek a single source provider that understands their needs.

Insurance

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Similar to Law Enforcement, many major insurance companies capture and manage legally important content that must be maintained with veracity if required to support legal proceedings. The ability to efficiently drop an audio record into a service which securely protects it and generates the resulting documentation with exceptional turn-around times is critical. Current implementations of our latest services such as NetScribe™ offer simple, fast and yet powerful results that we anticipate will experience meaningful gains in workflow efficiencies.

Mobility and Technology

All our major markets and lines of business share common ground. Our critical areas of focus are:

- I. Protection and security of content
- II. Movement towards larger longer-term Cloud-based storage capabilities
- III. Adoption of simple, easily operated capture products on familiar mobile platforms
- IV. Providing the most appropriate AI to our markets

We continue to build proprietary, advanced AI technology to assist our customers with their content workflow including market-specific speech recognition, data analytics and transcript generation.

International Partner Programs and Joint Ventures

Identifying and utilizing the best-in-class partners is a critical aspect of our transformation and expansion of international reach. Our market-specific capabilities are generating new IP which drive innovation. Our approach of selling our solutions and services through an expanded and highly-qualified distribution network and fostering strong relationships with key partners is beginning to produce encouraging results.

The dramatic explosion in sources of evidence and the need to access, mine and analyze that content is driving the demand to generate outcomes more efficiently and effectively. We believe our solutions deliver to our customers more flexible and simplified capture, resulting in faster and more accurate documentation. Combined with sophisticated workflow tools, they deliver the power to generate new efficiencies and more effective analysis of evidentiary content. These solutions will transform the way our customers exploit these technologies to affect real business change and exploit new opportunities.

In 2017, we identified the need 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 service framework (aiAssist™), our capture products (CapturePRO™ and MobileMic™ PRO) and our transcription workflow product (NetScribe™) enables our customers to 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 that take far longer. This produces significant time and cost benefits and allows legal professionals to review and assess the legal record in near real-time.

Digital Transformation among our clients

VIQ customers are in the midst of a profound transformation of business and organizational activities, processes, competencies and models to fully leverage the changes and opportunities of a mix of digital technologies and their accelerating impact across our client operations in a strategic and prioritized way, with present and future shifts in mind. Digital evidence is a big component of such transformation both in terms of volume, security and business outcomes needed by our clients to use such evidence effectively.

Strategy

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Two years ago, when we stated publicly that the digital audio and video content that we help our customers capture and transform would become the foundation for our future growth, we defined our strategy to make the necessary technology investments and be first to lead with technology that initiates a true digital transformation in our markets.

In fiscal year 2018, we expanded this digital transformation with the development of significant new technologies based on mobility, secure workflow, Cloud-based and Software-as-a-Service (SaaS) offerings which reflect trends we are seeing in the market.

We appointed new and experienced operating and management executives and tapped into the wealth of knowledge gained through our acquisitions.

This enabled us to expand and focus VIQ through scaling the business with a clear focus on becoming the leader in digital transformation in our specialised B2B markets. We amplified our focus on operating leverage, consolidated management and resource allocation, combined with an accelerated and aggressive stance on accretive mergers and acquisitions to increase the quantity and quality of revenues.

We intend to aggressively pursue these growth opportunities by following through on key elements of our strategy:

Continue to Innovate Technology

VIQ has long been a global leader in the capture of sensitive digital evidence information. New technological trends including the shift to secure transfer of media, the emergence of low-cost hardware that has enabled the interconnection of devices and the collection of vast amounts of audio and video data are driving new opportunities for VIQ. Our broad set of refreshed and new technologies, applications, intellectual property and expanded service offerings provides our customers with the opportunity to generate measurable business improvements. We continue to aggressively strengthen our AI framework with a specific short-term focus on multi-speaker capabilities. This represents a critical need within our markets and customers will quickly reap the benefits with its rollout.

VIQ strategy is focused on driving digital transformation within our clients off the wide range of captured evidence by our customers. The strategy is to deliver an AI and human workflow platform where machines perform the bulk of high-volume including speech to text work while humans perform QA and improve machine results via machine training roles. Our patent pending aiAssist framework focuses on delivering better results to our customers via market and customer specific vocabulary, and custom language models.

VIQ products are delivered in both local and cloud formats using modern container-based technologies to scale and adapt to customer processing patterns while maintaining privacy and confidentiality using advanced cybersecurity methods.

Cybersecurity is designed into all our products, from mobile to desktop, web and cloud-based systems including all content movement between devices.

VIQ creates the most flexible and functional capture software for fixed rooms (courts, interview rooms), work place and vehicle computers, telephony (SIP) and mobile capture scenarios. Our AI and transcription platforms are designed to support audio and video captured on any system, from any vendor, to bring the value of AI Transcription to our customer. If you can capture it, VIQ can apply AI and transcribe it to unlock the value in the A/V recording.

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Cloud and SaaS offerings provide better security than private corporate or government data centers. VIQ products embrace Cloud and SaaS offerings using advanced microservice based architecture to securely bring the value and flexibility of Amazon and Azure cloud offerings to our customers.

VIQ's patented digital workflow in aiAssist™ combines AI tools in the optimum sequence to generate the best results for each audio and video processing problem.

Our workflow engine in NetScribe™ routes work to the transcriber with the best experience for the job and maximizes utilization of our large work pool located across the US, Australia and Canada.

Speech Recognition

This is one of the foundations for the VIQ transcription platform and is mandatory to drive our patent pending innovation.

We are planning work on speaker recognition, which is designed to identify individual speakers in a recording to improve diarization. Our approach is to find the best methods from the many emerging methods and integrate those into our aiAssist framework.

The aiAssist framework, processing audio, feeds NetScribe so that humans can complete the transcription workflow and at the same time improve the AI tools which is the foundation of VIQ Human and Machine Collaboration. It changes how work is defined and results in significant productivity gains and turn around for clients and demonstrates how VIQ is disrupting traditional transcription workflow and gaining productivity improvements.

VIQ is at the forefront of Human and Machine collaboration using the aiAssist framework and NetScribe workflow to disrupt the traditional transcription workflow. aiAssist speech to text tools perform the initial transcription in a fraction of human time but humans perform QA and train the AI to improve future results.

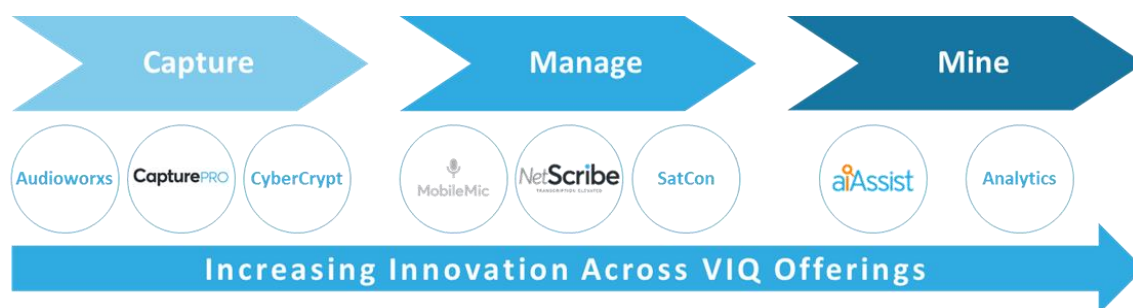
Markets Specific Vocabulary

Each of our markets, i.e. law enforcement, insurance, courts and government, has a different vocabulary and use of vocabulary. VIQ generates value by building AI tools optimized for each customer and their specific requirements. That's a major competitive differentiation separating VIQ's speech to text over other companies.

VIQ plans to continue building its market specific lexicon and find methods to expand on the limited lexicon capabilities in existing generic speech recognition engines provided by the market. VIQ is currently building an API approach that abstracts the lexicon function and injects standardized results into any speech to text engine selected by clients. Our approach would reduce the lexicon integration to building a service that maps our standard lexicon to the method used by each speech engine, thus capitalizing on the big lexicon investment.

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**Grow Subscription and Recurring Revenue**

Continuing through 2018, VIQ began infrastructure, technology and products investments to transition toward a software as a service (“SaaS”) revenue model providing the platform to customers for a recurring monthly fee. Given the size, nature and visibility of our sales pipeline, VIQ anticipates this SaaS option will continue to gain significant traction in multiple markets with security conscious customers as they seek secure, intelligent Cloud-based platforms.

Improve Margins to Drive Business Value

The cornerstone of our strategy is exploiting the market-specific AI technologies that enhance our customers human resource capabilities and documentation workflow. We expect that a major revolution in how audio/video evidence is translated to documented evidence is about to occur. As we implement advances such as our NetScribe™ and aiAssist™ products and realize efficiency gains, margins will improve.

We will offer our customers significant advantages over competitive workflow solutions. As outlined below, we expect that the price and cost of transcription to drop over time as human labor is assisted by machine capabilities and technology and services to be fully meshed together in a subscription-based SaaS revenue model where the human component of transcription decreases from 100% to 20% over time powered by the AI component increasing from 0% to 80%.

VIQ is poised to benefit from this margin improvement through continued reinvestment in the business and integrated value-add services and solutions for customers. Our future enterprise value creation lies in this digital market transformation now in its infancy.

World-class Leadership Team

The three acquisitions we completed towards the end of 2018 delivered a wealth of leaders experienced in our core markets. This experience and knowledge add further depth to our organization and provided the initiation of a new organizational structure which reflects our expanded business strategy. With these leaders in place, the integration of products, services and processes becomes a seamless and disciplined effort. The organization reflects an integrated organization with clear opportunity to drive operational synergies and feedback between products, services and growth.

Continue Strategic Acquisitions

In 2018, we announced the completion of three targeted very accretive acquisitions that significantly grew our presence in key US-based markets. These value-add acquisitions were immediately accretive to our business and provided a much larger customer base by adding 450 customers and the increased opportunity to leverage our technologies and cross sell our products.

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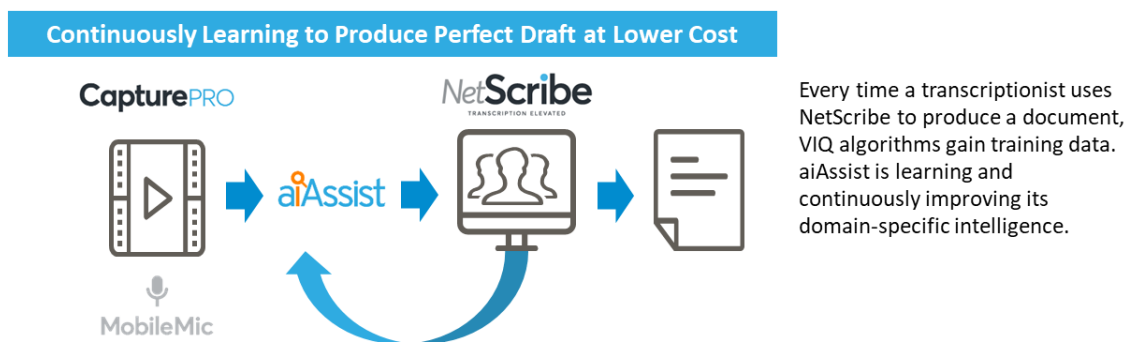
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These acquisitions also enable us to directly offer business workflow improvements, scalability and a wide range of new benefits to our customers by leveraging our new technologies and develop our AI algorithms through increased volume of audio and video data. The company has built a disciplined approach to identifying and closing other accretive acquisitions and continues to grow and drive market efficiencies.

Drive Customer Value-add Through Enhancing the End-to-End Value Chain

With the introduction of our Cloud and Subscription based AI-driven offerings we have vertical integration in our markets from capture through mining content. The end-to-end solutions provide customers a single source for their capture, manage and mine needs as they relate to digital evidence.

These full-spectrum offerings drive further efficiencies in our customers' business and provide solutions and upgrades that create measurable outcomes. Our emphasis on cybersecurity enables us to target high profile, highly data-sensitive growth markets in regulated government institutions. The integration of products across our solutions and services provides an important and critical feedback loop where product improvements lead to improved services which generates innovations in products.



Pursue Strategic Partnerships and International Joint Ventures

Continuing into 2019, we will engage selected opportunities for collaboration, innovation and marketing relationships to accelerate our growth and expand our presence globally. We are actively pursuing opportunities to leverage new technologies, execute on new business opportunities and grow our customer base while providing new business value to our customers. A full set of R&D initiatives anticipated to generate revenue is in development and aimed at driving new services and products for our customers and partners. The newly restored pro forma profitability is the base to sustain our ongoing drive in AI.

Over the last three years we built experience in acquiring and integrating businesses and technologies. This will continue delivering ever-increasing value to all our customers and stakeholders.

Operating Performance: Insights on Q1 2019 Results

In Q1, we commercialize the investments made in 2018 to enhance our technology platform capabilities and readiness for scalability ahead of our last three accretive acquisitions. While these investments did

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reduce EBITDA in the short-term, they are now driving efficiencies, improving gross and operating margins, broadening offerings and enabling the technology to support a multiple of current volume. The investments we made in 2016 on cybersecurity, plus the 2018 investments in workflow, cloud, AI and mobility have become the foundation for 2019-2020 growth and profitability.

We anticipate that technology improvement synergies will improve acquisition targets' gross margin by 20% in the first 18 months of consolidated operations while cost savings will reduce acquisition targets' G&A costs (as a proportion to revenue) by up to 20% in the first 18 months of consolidated operations.

In Q1, VIQ generated revenue from 1,200 customers across 47 states in the United States and 15 countries, with our operating headquarters in Phoenix Arizona. More than 50% of VIQ's revenue is generated in the United States.

Client revenue segmentation is now approximately 40% Public Safety and 60% Insurance and Justice with clients including major law enforcement, courts and government agencies as well the top four Fortune 500 Insurance companies in the United States.

We now have four operational cloud instances of our new NetScribe™, MobileMic Pro™ and aiAssist™ platform in the United States, Australia, Europe and Canada on AWS and Azure clouds for governments. 88% of VIQ's revenues in Q1 were recurring revenues.

The recurring revenues consist of a combination of new long term (3-5+ years) technology and services contracts being delivered annually, quarterly and monthly via various forms of subscriptions in addition to existing long-term technology and service contracts already in place with our customers and partners.

Non-recurring revenues (mainly one-time software and hardware sales) continued to decline in Q1 as we continue to migrate our customers to our new products while we leave hardware to our partners and integrators.

In Q1, the company has announced the integration of its first customer groups into its new workflow engine powered by AI, NetScribe™ in the cloud.

The first client groups migrated onto the NetScribe™ and aiAssist™ platform began in Q1 2019, and other clients will continue to migrate onto the platform throughout 2019. As operational leverage improves with scale and VIQ realizes its anticipated margin improvements, the company will continue to report operational milestones.

The plan for 2019 calls for over 750 customers to migrate to NetScribe™ and MobileMic Pro™ powered by aiAssist onto one of the company's four cloud-based infrastructures that are now operational around the world.

The following table outlines Q1 2019 results before and after accounting for the quarter impact of acquisitions completed in 2018.

Overall, the company is now on the path forward starting in Q1 2019 for \$24M in 2019 from recurring revenue before taking into consideration any new sales and additional organic volume and cross-selling growth across its 1,200 customers. That is the equivalent of 162% recurring revenue growth on a pro forma basis compared to 2017.

On the technology costs front, a plan is in place to build next generation technical development and technical support scalability in a nearshore environment outside Canada, United States and Australia. This will enable the company to continue scaling its technology and support cost effectively and closer to its international customers. Additional announcements will be made throughout 2019 regarding the execution of this strategic plan.

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Financial guidance including revenues and EBITDA projections for 2019 taking into consideration these new sales, targeted new acquisitions and new partnerships are not disclosed by the company at this time.

Enterprise Value Creation

Due to the size and magnitude of the transformation throughout 2018, management believes it will take some time for markets and shareholders to appreciate the short-term and medium-term impacts of the transformation on the company's enterprise value. The company plans to increase its investor and public relations throughout 2019 in order to disseminate and communicate broadly its strengths, strategy and the opportunities ahead for existing shareholders and new investors.

Enterprise Assets

At a glance, the company views its enterprise value as being built upon three classes of revenue: VIQ Transcription Services, VIQ SaaS Software and VIQ aiAssist™ artificial intelligence.

According to external EV assessments, we believe that each class of revenue comes with different estimated EV multipliers. Once blended, long-term EV creation can be estimated, and is a tool that VIQ management looks at in order to pursue long term value creation for the company.

To this end, the company continues to execute its growth plan focusing on quantity and quality of revenues and an increasing volume of audio and video evidence being captured and transformed from analog and manual to digital and machine learning throughout 2019. In parallel, the company plans to increase its public reporting and make available customer success stories in leading the digital transformation in a large and highly fragmented US market.

During 2019, the company expects to enter full implementation mode driving our strategy through the next level of execution to create long-term enterprise value for shareholders. We plan value-add accretive acquisitions, rolling out our new technologies and providing broader, enhanced offerings to our customers. We are proud of our global presence and look to a short-term goal of further enhancing our US-based business.

Looking forward, we plan to integrate all our services and solutions to provide our customers with a single source for the most advanced seamless workflow from capture through management to mining their digital assets. This will continue to improve the measurable value-add that our business can offer our customers.

SaaS Recurring Revenue

As the company continues its transition to recurring revenue through a combination of hybrid long-term services and subscription technology contracts, traditional one-time software and hardware sales should decline modestly as it did in 2018.

Several tangible examples were provided by the company throughout 2018 on earnings calls, press releases and the previous years' Annual General Meetings.

UK Midwifery Council – SaaS impacts Example

The UK Midwifery Council, which doubled the size of its VIQ installation in 2018, illustrates the dynamic of transitioning to SaaS from traditional one-time software licenses. Under a traditional software license model, this expansion translated into a \$200,000 one-time software revenue with a traditional 18% support and maintenance associated with the capital purchase.

Financially, the expansion would have been worth \$200,000 in Q1 of 2018 as software revenue and

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\$36,000 in annual recurring revenue or the equivalent of \$3,000 per month in traditional support and maintenance fees. In the previous financial regime, the total value for VIQ after the initial software purchase would have been \$36,000 per year. Over a 5-year period, this would have been worth \$180,000 in recurring revenue.

Now, under a subscription SaaS model, the expansion replaces the up-front software and infrastructure fee with a monthly subscription with the software used hosted by VIQ and its partners in the UK and Amazon Europe on behalf of the client. Now, VIQ invoices the client monthly based on several variables such as volume of digital evidence captured, content managed, level of cybersecurity desired by the client and how much content is mined through a managed service contract with the client, the local AV partner, and our cloud partner.

Financially, the dynamics at play are profound. In summary, a \$200,000 in one-time software would have increased 2018 revenue higher by year end; instead, the same expansion over 5 years is now worth \$600,000 as a higher margin recurring revenue.

The same transition repeated for 1,200 diversified and international customers over a five-year term, amply illustrates the incremental value creation of the SaaS transition and its direct impact on the overall value of our enterprise. The long-term multipliers on the value of recurring SaaS revenue are higher than one-time software sales.

When the same captured content is re-routed into our artificial intelligence platform NetScribe™ powered by aiAssist™ for mining purposes including documentation, transcription and other analytics services, the same multiplier increases.

In today's view, that is the difference between an enterprise value of \$30M-\$40M towards upward of \$150M value creation in aggregate.

Key Operating Highlights in Q1 2019

- \$6.4M revenue, 112% increase year-over-year.
- 60% of revenue in the United States.
- Gross margin of \$3.0M, 155% increase year-over-year, reflecting a larger business base from operating headquarters in Phoenix, Arizona.
- Margins are expected to continue to increase as the AI integration accelerates.
- Adjusted EBITDA of \$323K, 421% increase year-over-year.
- Completed the second phase of acquisition financing. Oversubscribed and now closed.
- VIQ announced the first customer group migration into the new cloud NetScribe™ aiAssist™ platform.
- VIQ's stock market liquidity volume, for the period January 1 to March 31, 2019, was 11.2M shares, up 54% over the same period in 2018. Record high liquidity on more than seven North American exchanges.

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.

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Financial Highlights - Quarter End 2019,

(In thousands of dollars, except per share amounts)

	Q1 2019	Q1 2018	Change
Consolidated Statement of Operations			
Recurring	\$5,489	\$2,264	142%
Non-recurring	870	742	17%
Total revenue	6,359	3,006	112%
Gross profit	3,037	1,192	155%
% of revenue	48%	40%	
Selling and administrative expenses	2,513	996	(152)%
Research & development	201	135	(49)%
Stock based compensation	24	73	67%
Net income (loss)	(771)	62	N/M
Net income (loss) per share	(0.00)	0.00	-
EBITDA ⁽¹⁾	298	(12)	N/M
Adjusted EBITDA ⁽²⁾	323	62	421%

(1) EBITDA (Earnings before Interest, Taxes, Depreciation & amortization)

(2) 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."

Our revenue increased by 112% compared to same period last year. This massive accretive growth was planned, part of the acquisitions closed in December 2018. The company has doubled in size in Q1 year over year.

Adjusted EBITDA for the quarter was \$323K, 421% increase compared to Q1 2018.

Net loss for the quarter was \$771K compared to a net income of \$62K for Q1 2018.

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

Our gross margins for the quarter were \$3M, 155% increase compared to the same period of 2018.

Selling and administrative expenses for the quarter ended March 31, 2019 were \$2,513,865, an increase of \$1,518,364 (153%) from \$995,501 during the same period in 2018. The acquisitions of Net Transcripts, Transcription Express and Homotech added \$1,146,912 to the increase in selling and administrative costs for Q119.

Stock based compensation for the quarter ended March 31, 2019 was \$24,301 compared to \$73,331 in the same period in 2018.

Research and development expenses for the quarter ended March 31, 2019 was \$200,611, an increase of \$65,767 (48.8%) from \$134,844 in Q118. Our research and development efforts are focused on developing new products for our markets and 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

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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. Costs associated with maintaining our existing products are expensed as they are incurred. During the year 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.

During the quarter, we started to amortize previously capitalized development costs as some of our development projects attained market viability. \$287,475 has been recorded in depreciation and amortization in Q1.

Financial Condition, Liquidity and Capital Resources

As at March 31, 2019, we had \$1,192,493 of cash as compared to \$1,922,768 as at December 2018 for a net decrease in cash of \$730,275.

Cash used in investing activities was \$412,514 for the quarter ended March 31, 2019 as compared to a cash usage of \$224,267 during Q118. This large increase in cash used in investing activities relates to our continuing investments in our research and development efforts.

Cash (used) in financing activities was \$191,720 for the quarter ended March 31, 2019 primarily due to payment of lease obligations, payment of interest and repayment of debt.

At March 31, 2019, we had negative working capital of \$4,787,715 compared to negative working capital of \$4,875,064 at December 31, 2018. A significant portion of negative working capital is the conversion feature derivative liability, a non-cash current obligation related to the value of the conversion option of the convertible notes. Excluding the non-cash conversion feature liability of \$3,004,126 from working capital reveals a true negative working capital of \$1,783,589.

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.

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

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, 2018 and 2017.

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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 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, changes in stock-based compensation and one-time non-recurring costs, 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 Loss before interest, accretion, business acquisitions and financing costs, and income taxes, the most directly comparable IFRS measure for the years ended March 31, 2019.

	Q1 2019	
	Q1 2019	Q1 2018
Loss before interest, accretion, business acquisitions and financing costs, and income taxes	\$ (155,988)	\$ 62,706
Add:		
Loss on revaluation of conversion feature liability	(357,930)	-
Foreign exchange (gain) loss	19,750	(124,940)
Depreciation & amortization	792,529	50,574
EBITDA	<u>\$ 298,361</u>	<u>\$ (11,660)</u>

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The following is a reconciliation of Adjusted EBITDA with Loss before interest, accretion, business acquisitions and financing costs, and income taxes, the most directly comparable IFRS measure for the quarter ended March 31st 2019.

	Q1 2019	
	Q1 2019	Q1 2018
Loss before interest, accretion, business acquisitions and financing costs, and income taxes	\$ (155,988)	\$ 62,706
Add:		
Stock based compensation	24,301	73,331
Gain on revaluation of conversion feature liability	(357,930)	-
Foreign exchange (gain) loss	19,750	(124,940)
Depreciation & amortization	792,529	50,574
Adjusted EBITDA	\$ 322,662	\$ 61,671

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 twelve months ended December 31, 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

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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 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, enhance our marketing capabilities and pursue potential future acquisitions. 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.

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 maybe 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 customers as a result of any integration of new businesses and management personnel;
- Impairment of goodwill; and
- Reductions in future operating results from 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

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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 customers and revenue, and increased expenses. The Company may acquire contingent liabilities in connection with the acquisitions of business, which maybe 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 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 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,

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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 United States dollar or 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 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 a 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

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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 2019 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.

Subsequent Events

None.

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 March 31st 2019 there were 188,022,523 common shares issued and outstanding, 14,418,030 stock options outstanding with a weighted average exercise price of \$0.13 CAD expiring between 2019 and 2024, 59,206,577 warrants outstanding with a weighted average exercise price of \$0.155CAD expiring between 2020 and 2024 and 1,999,998 deferred share units outstanding with an average exercise price of \$0.064CAD with an expiry between 2020 and 2021.