VIQ Solutions Inc.

Second Quarter 2017 Interim Consolidated Financial Statements and Results of Operations

(Expressed in United States dollars)

VIQ

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Signed "Sebastien Paré"	Signed "George Kempff"
Sebastien Paré	George Kempff
President and Chief Executive Officer	Interim Chief Financial Officer

August 24, 2017

VIQ Solutions Inc.
Interim Consolidated Balance Sheets
(Expressed in United States dollars)

	June 30, 2017	December 31, 2016
Assets	(unaudited)	
Current assets		
Cash	$ 918,659	$ 1,929,333
Trade and other receivables, net of allowance (note 4)	2,202,931	995,330
Inventories	70,602	63,328
Prepaid expenses and deposits	183,613	114,570
	3,375,805	3,102,561
Non-current assets		
Restricted cash	41,113	39,004
Property and equipment	193,601	145,162
Intangible assets	1,121,980	701,117
Goodwill	781,625	739,153
Deferred tax assets	321,873	302,665
Total assets	$ 5,835,997	$ 5,029,662
Liabilities		
Current liabilities		
Trade and other payables	$ 838,208	$ 725,598
Share appreciation rights plan obligations (note 5)	717,943	510,897
Provisions	425,947	390,772
Unearned revenue	481,607	497,591
Current portion of obligations under finance lease	35,517	15,271
	2,499,222	2,140,129
Non-current liabilities		
Deferred tax liability	89,623	72,892
Provisions	46,761	12,064
Obligations under finance lease	78,487	75,857
Total liabilities	2,714,093	2,300,942
Shareholders' Equity		
Capital stock (note 5)	11,173,380	11,116,681
Contributed surplus	2,059,929	1,937,706
Accumulated other comprehensive income	216,070	94,216
Deficit	(10,327,475)	(10,419,883)
	3,121,904	2,728,720
Total liabilities and shareholders' equity	$ 5,835,997	$ 5,029,662

Approved by the Board

Signed "*Larry Taylor*"
Larry Taylor, Director

Signed "*Sebastien Paré*"
Sebastien Paré, CEO and Director

The accompanying notes form an integral part of these interim consolidated financial statements.

VIQ Solutions Inc.
Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States dollars)

	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Revenue	**$ 3,208,641**	**$ 2,480,115**	**$ 6,093,783**	**$ 4,464,498**
Cost of sales	1,835,630	1,399,853	3,482,748	2,615,393
Gross profit	1,373,011	1,080,262	2,611,035	1,849,105
Expenses				
Selling and administrative expenses	1,087,286	1,018,700	2,013,843	1,831,008
Stock based compensation (note 6)	118,977	79,889	326,444	143,769
Research and development expenses	75,310	115,437	124,554	213,249
	1,281,573	1,214,026	2,464,841	2,188,026
Income (loss) before undernoted items	91,438	(133,764)	146,194	(338,921)
Finance income (loss)				
Interest income	542	1,233	1,473	2,664
Interest expense	(1,667)	(12,641)	(3,187)	(35,635)
Accretion on long-term debt	–	(1,755)	–	(4,821)
Foreign exchange loss	(49,266)	(45,696)	(52,072)	(72,608)
Net finance loss	(50,391)	(58,859)	(53,786)	(110,400)
Net income (loss) before income taxes	41,047	(192,623)	92,408	(449,321)
Income tax recovery	–	–	–	–
Net income (loss) for the period	$ 41,047	$ (192,623)	$ 92,408	$ (449,321)
Exchange differences on translating foreign operations	48,730	4,864	121,854	102,221
Comprehensive income (loss) for the period	$ 89,777	$ (187,759)	$ 214,262	$ (347,100)
Net income (loss) per share (note 7)				
Basic	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Diluted	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Weighted average number of common shares outstanding – basic (note 7)	139,234,919	119,504,806	139,225,223	118,332,370
Weighted average number of common shares outstanding – diluted (note 7)	148,774,228	119,504,806	148,555,043	118,332,370

The accompanying notes form an integral part of these interim consolidated financial statements.

VIQ Solutions Inc.
Interim Consolidated Statements of Changes in Equity
(Expressed in United States dollars)

	Capital stock Number	Capital stock Amount	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total Equity
Balance at January 1, 2016	115,932,819	$ 8,991,958	$ 1,807,960	$ (9,469,081)	$ 95,427	$ 1,426,264
Comprehensive loss for the period	–	–	–	(449,321)	102,219	(347,102)
Options exercised (note 5)	463,334	47,064	(16,943)	–	–	30,121
Warrants exercised (note 5)	5,923,788	334,001	(111,334)	–	–	222,667
Stock-based compensation (note 6)	–	–	67,292	–	–	67,292
Balance at June 30, 2016	122,319,941	$ 9,373,023	$ 1,746,975	$ (9,918,402)	$ 197,646	$ 1,399,242
Comprehensive loss for the period	–	–	–	(501,481)	(103,430)	(604,911)
Options exercised (note 5)	206,667	17,416	(5,955)	–	–	11,461
Warrants exercised (note 5)	5,800,000	329,707	(109,868)	–	–	219,839
Private placement (note 5)	9,883,329	1,324,509	230,856	–	–	1,555,365
Debt conversion (note 5)	1,000,000	72,026	–	–	–	72,026
Stock-based compensation (note 6)	–	–	75,698	–	–	75,698
Balance at December 31, 2016	139,209,937	$ 11,116,681	$ 1,937,706	$ (10,419,883)	$ 94,216	$ 2,728,720
Comprehensive income for the period	–	–	–	92,408	121,854	214,262
Options exercised (note 5)	453,334	56,699	(20,088)	–	–	36,611
Stock-based compensation (note 6)	–	–	142,311	–	–	142,311
Balance at June 30, 2017	139,663,271	$ 11,173,380	$ 2,059,929	$ (10,327,475)	$ 216,070	$ 3,121,904

The accompanying notes form an integral part of these interim consolidated financial statements.

VIQ Solutions Inc.
Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars)

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Cash provided by (used in):				
Operating activities				
Net income (loss) for the period from operations	**$ 41,047**	**$ (192,623)**	**$ 92,408**	**$ (449,321)**
Items not affecting cash:				
Depreciation and amortization	152,924	54,907	239,751	98,020
Stock-based compensation (note 6)	118,977	79,889	326,444	143,769
Provisions	16,206	43,158	35,175	45,229
Interest accretion on bridge loan	–	1,755	–	4,821
Deferred income tax benefit	(3,312)	9,131	(21,838)	73,877
Unrealized foreign exchange loss	(249,786)	(164,673)	(333,152)	(368,236)
Changes in non-cash operating working capital (note 8)	(559,041)	(84,217)	(1,113,453)	(21,599)
Cash used in operating activities	**(482,985)**	**(252,673)**	**(774,665)**	**(473,440)**
Investing activities				
Purchase of property and equipment, net	(18,052)	9,884	(121,037)	(27,539)
Purchase of intangibles	(74,509)	–	(253,710)	–
Change in restricted cash	(4,017)	(1,300)	(2,109)	793
Cash (used in) provided by investing activities	**(96,578)**	**8,584**	**(376,856)**	**(26,746)**
Financing activities				
Warrants exercised	–	137,713	–	334,001
Options exercised	56,346	28,822	56,699	47,064
Repayment of short-term debt	–	(211,593)	–	(272,231)
Receipt of notes receivable	–	26,750	–	46,008
Finance lease advances	(8,620)	(5,733)	34,697	14,514
Cash provided by (used in) financing activities	**47,726**	**(24,041)**	**91,396**	**169,356**
Net decrease in cash during the period	**(531,837)**	**(268,130)**	**(1,060,125)**	**(330,830)**
Cash, beginning of period	1,429,390	923,832	1,929,333	974,887
Effect of exchange rate changes on cash	21,106	(18,215)	49,451	(6,570)
Cash, end of period	**$ 918,659**	**$ 637,487**	**$ 918,659**	**$ 637,487**

Supplemental disclosure (note 8)

The accompanying notes form an integral part of these interim consolidated financial statements.

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

1. Nature of Operations

VIQ Solutions Inc. ("VIQ" or the "Company") is a technology and service platform provider for digital evidence capture, retrieval, and content management. VIQ's modular software allows customers to easily integrate the platform at any stage of their organization's digitization, from the capture of digital content from video and audio devices through to online collaboration, mobility, data analytics, and integration with sensors, facial recognition, speech recognition, and case management or patient record systems. VIQ operates worldwide with a network of partners including security integrators, audio-video specialists, and hardware and data storage suppliers.

The Company also provides recording and transcription services directly to a variety of clients including medical, courtrooms, legislative assemblies, hearing rooms, inquiries and quasi-judicial clients in numerous countries including Canada, the United Kingdom, the United States and Australia.

On September 16, 2015, the Company completed the acquisition of Dataworxs Systems Limited ("Dataworxs"). Dataworxs is an international technology provider of digital audio dictation, document management and speech-to-text software solutions.

VIQ was incorporated by articles of incorporation in the province of Alberta in November 2004. On June 21, 2017, the Company continued under articles of continuance in the province of Ontario. The Company's offices are located at 700 – 5915 Airport Road, Mississauga, Ontario, L4V 1H1. VIQ is a public company listed on the TSX Venture Exchange trading under the symbol "VQS".

2. Basis of Preparation

(a) Statement of compliance

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

The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The policies applied in these interim consolidated financial statements are based on IFRS policies effective as at December 31, 2016. The unaudited interim consolidated financial statements were approved by the Board of Directors on August 23, 2017.

(b) Functional and presentation currency

The functional currency of VIQ Solutions Inc. is the Canadian dollar ("CAD"). These consolidated financial statements are presented in United States dollars ("USD").

Change in presentation currency
Effective January 1, 2017, the Company changed its presentation currency from the CAD to USD to better reflect the Company's business activities. In making this change in presentation currency to USD, the Company followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and have applied the change retrospectively as if the USD had always been the Company's presentation currency, as follows:

- Assets and liabilities have been translated into the USD at the rate of exchange prevailing at the respective reporting dates;
- The statements of operations and comprehensive income (loss) were translated at the average exchange rates for the respective reporting periods, or at the exchange rates prevailing at the applicable transaction date;
- Equity transactions have been translated at the exchange rate prevailing at the date of the transactions; and
- Exchange differences arising on translation were recorded in accumulated other comprehensive loss in shareholders' equity.

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

2. Basis of Preparation (continued)

The exchange rates used were as follows:

USD / CAD exchange rate	**June 30, 2017**	December 31, 2016	June 30, 2016
Closing at the reporting date	0.7706	0.7448	N/A
Average rate for the period	0.7494	N/A	0.7518

3. Significant Accounting Policies, Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and notes to the interim consolidated financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Significant estimates made by the Company include the determination of the recoverable amount of goodwill, amounts recorded as provisions, recognition of deferred tax assets, the provision for long-term service leave and other employee benefits and the determination of functional currency.

The significant accounting policies, estimates and judgments used in the preparation of these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016 as these interim consolidated financial statements follow the same accounting policies and methods of application.

Accounting standards and amendments issued but not yet applied
The International Accounting Standards Board ("IASB") has issued accounting standards which have not yet been adopted by the Company. The accounting standards are the same accounting standards issued but not yet applied as noted in the consolidated financial statements of the year ended December 31, 2016. The Company does not expect to adopt these new and amended standards before their effective dates.

4. Trade and Other Receivables

	June 30, 2017	December 31, 2016
Trade accounts receivable	$ 2,256,032	$ 1,039,202
Less: Allowance for doubtful accounts	(53,101)	(43,872)
	$ 2,202,931	$ 995,330

5. Capital Stock

The Company's authorized capital consists of an unlimited number of common shares with no par value.

On September 16, 2015, the Company completed a private placement in order to fund the Dataworxs acquisition and to fund growth initiatives. The raise totalled $522,755 (net of fees of $4,702) for 14,600,000 common shares plus one warrant per common share. The exercise prices for the warrants (in Canadian dollars) are $0.05 up to the one year anniversary date, increasing to $0.07 after the one year anniversary date. The warrants expire in two years. The warrants attached to the common shares were valued at $263,728. For the six months ended June 30, 2017 none (2016 – 5,923,788) of these warrants were exercised.

On December 15, 2016, the Company completed a private placement in order to extinguish high interest rate debt and to fund future growth initiatives over the next 18 months. The raise totalled $1,555,365 (net of fees of $11,271) for 9,883,329 common shares plus one-half warrant per common share. The exercise price for the warrants (in Canadian dollars) is $0.26. The warrants expire on June 21, 2018. The warrants attached to the common shares were valued at $230,857. For the six months ended June 30, 2017, none of these warrants were exercised.

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

5. Capital Stock (continued)

As at June 30, 2017, there were 7,817,870 warrants outstanding (December 31, 2016 – 7,817,870).

The fair value of the warrants was calculated using the following assumptions:

	2016
Risk free interest rate (%)	0.55
Expected volatility (%)	86
Expected life (in years)	1.5
Expected dividends	Nil
Weighted average share price (in Canadian dollars)	$0.21

As at June 30, 2017, common shares of the Company were reserved as follows:

	Price (in Canadian dollars)	Expiry Dates	Number
Options	$0.10	Jan 2018 – Dec 2018	265,500
	$0.05 – $0.07	Jan 2019 – Dec 2019	865,529
	$0.06 – $0.065	Jan 2020 – Dec 2020	5,316,666
	$0.105 – $0.21	Jan 2021 – Dec 2021	2,166,666
	$0.22	Jan 2022 – Mar 2022	2,000,000
			10,614,361
Deferred Share Units	$0.06	N/A	1,999,998
Warrants	$0.07	Sep 2017	2,876,212
	$0.26	Jun 2018	4,941,658
			7,817,870
Total			20,432,229

Stock Option Plan
The Company has an incentive stock option plan for its directors, officers, employees, and contractors. The Company's stock option plan allows for the granting of options (and Deferred Share Units as described below) up to an aggregate amount equal to 10% of the aggregate number of common shares of the Company outstanding. The options, which have a term not exceeding five years when issued, generally vest as follows:

- 1/3 at time of issue
- 1/3 after one year
- 1/3 after two years

As at June 30, 2017, the Company had 6,581,025 options (December 31, 2016 – 5,721,029) that had vested with a weighted average exercise price (in Canadian dollars) of $0.09 per share (December 31, 2016 – $0.08). During the six months ended June 30, 2017, the Company granted 2,000,000 stock options to directors, officers, employees, and contractors (2016 – 700,000).

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

5. Capital Stock (continued)

The following information applies to stock options outstanding and exercisable at June 30, 2017:

Range of Exercise Prices (in Canadian dollars)	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in Canadian dollars)	Options Exercisable	Weighted Average Exercise Price (in Canadian dollars)
$0.10	265,500	0.6 years	$0.10	265,500	$0.10
$0.05 – $0.07	865,529	1.9 years	$0.06	865,529	$0.06
$0.06 – $0.065	5,316,666	3.1 years	$0.06	3,516,663	$0.06
$0.105 – $0.21	2,166,666	3.9 years	$0.13	1,266,663	$0.12
$0.22	2,000,000	4.7 years	$0.22	666,670	$0.22
	10,614,361	3.4 years	$0.11	6,294,366	$0.09

Deferred Share Units Plan
In 2015, the Company established a Deferred Share Units ("DSU") Plan to provide non-employee directors with the opportunity to acquire DSUs of the Company in order to allow them to participate in the long-term success of the Company. DSUs are fully vested upon being granted.

The Board of Directors may grant DSUs (and the number of options to purchase shares described above) up to a maximum of 10% of common shares outstanding and up to a maximum of 2,000,000 units. Maximum allowable grants under these plans in aggregate as at June 30, 2017 were 13,966,327 (December 31, 2016 – 13,920,994) of which 10,614,361 were outstanding stock options and 1,999,998 were outstanding DSUs for a total of 12,614,359 (December 31, 2016 – 11,521,026).

Share Appreciation Rights Plan
Also in 2015, the Company established a Share Appreciation Rights ("SAR") plan for its Service Providers (as defined in VIQ's SAR plan). The Company's SAR plan provides incentive compensation, based on the appreciation in the value of the Company's shares, to the service providers, thereby providing additional incentive for their efforts in promoting the continued growth and success of the business of the Company. The aggregate number of units in respect of which SARs have been granted and not yet exercised, shall not at any time exceed 10% of the aggregate number of shares that are then issued and outstanding. The SAR units, which have a term not exceeding five years when granted, generally vest as follows:

- 1/3 at time of issue
- 1/3 after one year
- 1/3 after two years

The value of each SAR unit when issued is based on the market price of the Company's stock on the date of grant. During the six months ended June 30, 2017, the Company granted nil SAR units to Service Providers (2016 – 76,500). The total number of SAR units which have vested as at June 30, 2017 is 3,018,333 (December 31, 2016 – 2,982,833).

At any time on or after that date when the trading price of one share is equal to or exceeds four times the fair value of one SAR unit at the grant date, the Company shall be entitled to require the disposition of the vested SAR units by the grantee to the Company, by the Company paying the bonus in cash to the grantee.

6. Stock-based Compensation

The total compensation expense relating to the value assigned to the stock options, DSUs, SARs granted to directors, officers, employees, and contractors for the six months ended June 30, 2017 was $326,644 (2016 – $143,769) which was included in selling and administrative expenses, with a corresponding charge to contributed surplus ($143,291 for stock options, net of forfeits) and change in accrued liabilities ($183,353 SARs). The Company granted 2,000,000 options during the six months ended June 30, 2017 (2016 – 700,000); nil SARs (2016 – 76,500). The weighted average fair value of the options granted (in Canadian dollars) during the six months ended June 30, 2017 was $0.14 per option (2016 – $0.105), $nil per DSU (2016 –

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

6. Stock-based Compensation (continued)

$0.105), and $nil (2016 – $0.12) per SAR unit at the grant date, $0.21 per SAR unit at the June 30, 2017 revaluation date (December 31, 2016 – $0.17).

The fair value of the stock options and SAR units was determined using the Black-Scholes option pricing model which requires subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. The expected volatility is based on the Company's historical trading prices for the past three years. The expected life is based on historical exercise patterns. The quoted market price of the underlying shares on the grant date is considered to be equivalent to fair value for the DSUs.

The fair value of stock options was calculated using the following weighted average assumptions:

	2017	2016
Risk free interest rate (%)	0.55	0.92
Expected volatility (%)	104%	88%
Expected life (in years)	3	3
Expected dividends	Nil	Nil
Weighted average share price (in Canadian dollars)	$0.22	$0.105
Forfeiture rate (%)	0%	0%

The fair value of SAR units was calculated using the following weighted average assumptions:

	June 30, 2017 Revaluation Date	December 31, 2016 Revaluation Date
Risk free interest rate (%)	0.55	0.55
Expected volatility (%)	104%	93.41%
Expected life (in years)	1.5	1.9
Expected dividends	nil	nil
Weighted average share price (in Canadian dollars)	$0.265	$0.22
Forfeiture rate (%)	0%	0%

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

7. Net income (loss) per Share

	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Numerator for basic and diluted net income (loss) per share:				
Net income (loss) for the period	$ 41,047	$ (192,623)	$ 92,408	$ (449,321)
Net income (loss) for the period	$ 41,047	$ (192,623)	$ 92,408	$ (449,321)
Denominator for basic net income (loss) per share:				
Weighted average number of common shares outstanding	139,234,919	119,504,806	139,225,223	118,332,370
Effect of potential dilutive securities	9,539,639	–	9,329,820	–
Adjusted denominator for diluted net income (loss) per share	148,774,228	119,504,806	148,555,043	118,332,370
Basic net income (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Diluted net income (loss) per share	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)

Excluded from the calculation of diluted net income per share for the three and six months ended June 30, 2017 were 4,941,658 warrants with an exercise price of $0.26 per warrant.

Excluded from the calculation of diluted net loss per share for the three and six months ended June 30, 2016 were 8,011,028 stock options, 1,999,998 DSU’s and 11,006,212 warrants as the affect would be anti- dilutive.

8. Supplemental Cash Flow Information

Components of the net change in non-cash working capital are as follows:

	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Trade and other receivables	$(468,012)	$(186,685)	$(1,127,417)	$(124,636)
Inventories	(2,649)	(17,454)	(3,702)	(3,202)
Prepaid expenses	(85,134)	(47,563)	(64,025)	(39,645)
Trade and other payables	(42,386)	94,435	95,476	111,553
Provisions	5,500	38,410	21,163	22,557
Unearned revenue and taxes	33,640	34,640	(34,948)	11,774
Total	$(559,041)	$ (84,217)	$(1,113,453)	$ (21,599)

Other supplemental cash flow information is as follows:

	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Cash received for interest	$ –	$ 988	$ –	$ 2,083
Cash paid for interest	–	19,321	–	41,142

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

9. Segmented Financial Information

The Company operates within two business segments: the technology segment, which develops, distributes and licenses computer-based digital solutions based on its proprietary technology; and the transcription segment, which provides recording and transcription services. The Company's reportable segments are strategic business segments that offer different products and/or services. These business segments work on different business models and operate autonomously.

The Company does not segregate sales and associated costs by individual technology products. Accordingly, segmented information on revenue and associated costs is only provided for the full line of software solutions currently offered by the Company.

Financial information by reportable business segment is as follows:

	Three months ended June 30, 2017			
	Technology	**Transcription Services**	**Corporate**	**Total**
Consolidated Loss and Comprehensive Loss				
Recurring revenue	$ 323,772	$ 1,893,576	–	$ 2,217,348
Non-recurring revenue	983,903	7,390	–	991,293
Gross profit	1,020,931	352,080	–	1,373,011
Selling and administrative expenses	350,355	383,810	353,121	1,087,286
Stock based compensation expense	–	–	118,977	118,977
Research and development expenses	75,310	–	–	75,310
Foreign exchange loss (gain)	63,796	(14,530)	–	49,266
Interest income	(102)	(440)	–	(542)
Interest expense	57	1,610	–	1,667
Segment income (loss)	531,515	(18,370)	(472,098)	41,047
Consolidated Balance Sheet				
Total segment assets	$ 4,404,369	$ 1,431,628	–	$ 5,835,997
Total segment current liabilities	699,919	1,081,362	717,943	2,499,222
Total segment non-current liabilities	78,487	136,384	–	214,871
Other Items				
Depreciation of property and equipment	$ 5,662	34,113	–	$ 39,775
Amortization of intangible assets	113,149	–	–	113,149

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

9. Segmented Financial Information (continued)

	Three months ended June 30, 2016			
	Technology	Transcription Services	Corporate	Total
Consolidated Loss and Comprehensive Loss				
Recurring revenue	$ 259,777	$ 1,694,123		$ 1,953,900
Non-recurring revenue	519,046	7,169	–	526,215
Gross profit	588,596	491,666	–	1,080,262
Selling and administrative expenses	284,527	346,390	387,783	1,018,700
Stock based compensation expense	–	–	79,889	79,889
Research and development expenses	115,437	–	–	115,437
Foreign exchange loss (gain)	46,892	(1,196)	–	45,696
Interest income	(322)	(911)	–	(1,233)
Interest expense	12,710	1,686	–	14,396
Segment income (loss)	129,352	145,697	(467,672)	(192,623)
Consolidated Balance Sheet				
Total segment assets	$ 2,269,875	$ 1,466,534	–	$ 3,736,409
Total segment current liabilities	1,189,126	885,837	197,959	2,272,922
Total segment non-current liabilities	4,049	99,520	–	103,569
Other Items				
Depreciation of property and equipment	$ 5,559	$ 29,481	–	$ 35,040
Amortization of intangible assets	19,867	–	–	19,867

	Six months ended June 30, 2017			
	Technology	Transcription Services	Corporate	Total
Consolidated Loss and Comprehensive Loss				
Recurring revenue	$ 646,739	$ 3,656,532	–	$ 4,303,271
Non-recurring revenue	1,713,090	77,422	–	1,790,512
Gross profit	1,878,131	732,904	–	2,611,035
Selling and administrative expenses	668,778	778,249	566,816	2,013,843
Stock based compensation expense	–	–	326,444	326,444
Research and development expenses	124,554	–	–	124,554
Foreign exchange (gain) loss	33,989	18,083	–	52,072
Interest income	(102)	(1,371)	–	(1,473)
Interest expense	148	3,039	–	3,187
Segment income (loss)	1,050,764	(65,096)	(893,260)	92,408
Other Items				
Depreciation of property and equipment	$ 11,287	$ 61,311	–	$ 72,598
Amortization of intangible assets	167,153	–	–	167,49

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

9. Segmented Financial Information (continued)

	Six months ended June 30, 2016			
	Technology	**Transcription Services**	**Corporate**	**Total**
Consolidated Loss and Comprehensive Loss				
Recurring revenue	$ 638,989	$ 3,005,014	–	$ 3,644,003
Non-recurring revenue	805,993	14,502	–	820,495
Gross profit	1,075,809	773,296	–	1,849,105
Selling and administrative expenses	542,320	738,885	549,803	1,831,008
Stock based compensation expense	–	–	143,769	143,769
Research and development expenses	213,249	–	–	213,249
Foreign exchange loss	62,888	9,720	–	72,608
Interest income	(664)	(2,000)	–	(2,664)
Interest expense	37,121	3,335	–	40,456
Segment income (loss)	220,895	23,356	(693,572)	(449,321)
Other Items				
Depreciation of property and equipment	$ 10,222	49,270	–	$ 59,492
Amortization of intangible assets	38,528	–	–	38,528

Revenues are segmented by geographic region as follows:

	Six months ended June 30	
	2017	2016
Australia	$ 4,286,422	$ 3,358,992
United States	1,342,347	492,570
United Kingdom	208,244	274,209
Canada	251,711	302,736
Other	5,059	35,991
	$ 6,093,783	$ 4,464,498

Property and equipment is located in the following countries:

	Six months ended June 30	
	2017	2016
Australia	$ 126,039	$ 118,180
Canada	67,562	61,950
	$ 193,601	$ 180,130

The Company’s largest customers comprise the following percentages of consolidated revenue:

	Six months ended June 30	
	2017	2016
First	19%	20%
Second	13%	10%
Third	13%	10%
Fourth	9%	9%
Fifth	3%	7%
Others	44%	44%
	100%	100%

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

10. Expenses by Nature

Expenses incurred by nature are as follows:

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Employee salaries and benefits (note 11)	$ 2,337,838	$ 2,157,980	$ 4,577,059	$ 3,924,635
Facilities	87,442	87,096	189,042	165,499
Depreciation and amortization	152,924	54,907	239,751	98,020
Travel	42,029	28,211	91,795	55,154
Professional and consulting fees	105,592	50,245	150,888	106,986
Inventory, materials and other cost of sales	184,409	100,538	356,164	210,923
Investor relations and other shareholder expenses	9,027	14,689	27,559	23,349
Insurance	10,837	10,807	21,954	22,374
Telephone and internet	34,761	46,423	69,278	89,035
Other	152,344	62,983	224,099	107,444
Total	$ 3,117,203	$ 2,613,879	$ 5,947,589	$ 4,803,419

11. Employee Benefit Expense

Expenditures for employee benefits are as follows:

	Three months ended June 30		Six months ended June 30	
	2017	**2016**	**2017**	**2016**
Salaries and wages	$ 1,823,259	$ 1,318,525	$ 3,518,312	$ 2,408,015
Employee benefits	31,492	300,465	58,960	589,332
Contract labour	364,110	453,916	673,343	774,077
Stock-based compensation	118,977	79,889	326,444	143,769
Other	–	5,185	–	9,442
Total	$ 2,337,838	$ 2,157,980	$ 4,577,059	$ 3,924,635

12. Risk Management for Financial Instruments

Fair Values

The estimated fair values of cash, trade and other receivables, note receivable, restricted cash, trade and other payables, and share appreciation rights plan obligations approximate their carrying values due to the relatively short-term nature of the instruments. The estimated fair values of short-term and long-term debt and obligations under finance lease also approximate carrying values due to the fact that effective interest rates are not significantly different from market rates.

Fair value measurements recognized in the interim consolidated balance sheets must be categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value on the interim consolidated balance sheets consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). Share appreciation rights are categorized using observable market inputs (Level 2). The Company did not value any financial instruments using valuation

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

12. Risk Management for Financial Instruments (continued)

techniques based on non-observable market inputs (Level 3) as at June 30, 2017.

Liquidity
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by continuously monitoring actual and budgeted cash flows.

The Company has sustained losses over the last number of periods and has financed these losses mainly through a combination of equity and debt offerings. As at June 30, 2017, the Company has contractual obligations relating to trade and other payables and obligations under finance lease. Management believes that it has raised sufficient cash to meet all of its contractual debt that is coming due in 2017 and has the ability to fund any operating losses that may occur in the upcoming periods. There are, however, a number of uncertainties related to the timing and use of the Company's cash resources and actual results may differ from expected results.

Credit Risk
Credit risk arises from the potential that a customer or counterparty will fail to perform its obligations. The Company is exposed to credit risk from its customers; however, the Company has a significant number of customers, minimizing the concentration of credit risk. Further, a large majority of the Company's customers are economically stable organizations such as government agencies or departments with whom the Company transacts with on a regular basis, further reducing the overall credit risk.

Historically, losses under trade receivables have been insignificant. In order to minimize the risk of loss from trade receivables, the Company's extension of credit to customers involves review and approval by senior management and conservative credit limits for new or higher risk accounts.

The Company reviews its trade receivable accounts regularly and writes down these accounts to their expected realizable values, by making an allowance for doubtful accounts, as soon as the account is determined not to be fully collectible. The allowance is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern issues. Normal credit terms for amounts due from customers call for payment within 30 to 60 days.

The Company's exposure to credit risk for trade receivables by geographic area was as follows:

	June 30, 2017	June 30, 2016
United States	57%	15%
Australia	31%	53%
Canada	11%	16%
United Kingdom	1%	8%
Rest of world	0%	8%
	100%	100%

The activity of the allowance for doubtful accounts is as follows:

	June 30, 2017	Dec 31, 2016
Allowance for doubtful accounts – beginning of year	$ 43,872	$ 50,381
Add: allowance for doubtful accounts acquired	12,330	13,230
Bad debt expense	–	(16,792)
Foreign exchange adjustments	(3,101)	(2,947)
Allowance for doubtful accounts – end of year	$ 53,101	$ 43,872

VIQ Solutions Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States dollars)

12. Risk Management for Financial Instruments (continued)

Foreign Currency Risk
Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the U.S. and Australian dollars and Great Britain pounds with a large portion of the Company's sales and operating costs being realized in these foreign currencies. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Canadian, U.S. and Australian dollars.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. This primarily includes cash, restricted cash, trade and other receivables, trade and other payables, provisions and obligations under finance lease which were denominated in foreign currencies.

The Company's Australian subsidiaries have a majority of revenue and expenses being transacted in Australian dollars. As of June 30, 2017, fluctuations of the Australian dollar relative to the Canadian dollar of 5% would result in an exchange gain or loss on the net financial assets, impacting the Company's comprehensive income by approximately $9,000 (2016 – $1,000).

The Company's computer products and services operations are exposed to exchange rate changes in the U.S. dollar relative to the Canadian dollar since a substantial portion of this business unit's sales are denominated in U.S. dollars with most of the related expenses in Canadian dollars. A 5% fluctuation of the U.S. dollar would result in an exchange gain or loss on the net financial assets of approximately $11,000 (2016 – $7,000) as at June 30, 2017.

The Company's computer products and services operations are exposed to exchange rate changes in the Great Britain pound relative to the Canadian dollar since a portion of this business unit's sales are denominated in Great Britain pounds with most of the related expenses in Canadian dollars. A fluctuation of the Great Britain pound of 5% would result in an exchange gain or loss on the net financial assets of approximately $5,000 (2016 – $4,000) as at June 30, 2017.

The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currencies cash flows as management has determined that this risk is not significant at this point in time. The Company recognized a foreign exchange loss from operations of $52,072 for the six months ended June 30, 2017 (2016 – foreign exchange loss of $72,608).

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest bearing debts on its interim consolidated balance sheet. The Company does not have a material amount of long-term debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

Capital Management
The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk.

The Company's capital is composed of total shareholders' equity. The Company's primary uses of capital are to finance operating losses, capital expenditures and increases in non-cash working capital. The Company currently funds these requirements from internally generated cash flows and cash raised through past share issuances and long and short-term debt as required. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide its products and services to its customers and returns to its shareholders.

The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.