



## **VIQ Solutions Inc.**

Third Quarter 2017 Interim Consolidated Financial  
Statements and Results of Operations

(Expressed in United States dollars)



## **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 Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Signed "Sebastien Paré"  
Sebastien Paré  
President and Chief Executive Officer

Signed "George Kempff"  
George Kempff  
Chief Financial Officer

November 23, 2017

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

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
	(unaudited)	
<b>Assets</b>		
Current assets		
Cash	\$ 935,800	\$ 1,929,333
Trade and other receivables, net of allowance (note 4)	2,958,768	995,330
Inventories	81,037	63,328
Prepaid expenses and deposits	190,883	114,570
	4,166,488	3,102,561
Non-current assets		
Restricted cash	41,957	39,004
Property and equipment	164,579	145,162
Intangible assets	1,353,678	701,117
Goodwill	800,340	739,153
Deferred tax assets	328,269	302,665
<b>Total assets</b>	<b>\$ 6,855,311</b>	<b>\$ 5,029,662</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 775,836	\$ 725,598
Share appreciation rights plan obligations (note 5)	657,474	510,897
Provisions	477,642	390,772
Unearned revenue	661,389	497,591
Current portion of obligations under finance lease	35,966	15,271
	2,608,307	2,140,129
Non-current liabilities		
Deferred tax liability	74,275	72,892
Provisions	39,094	12,064
Obligations under finance lease	81,613	75,857
<b>Total liabilities</b>	<b>2,803,289</b>	<b>2,300,942</b>
<b>Shareholders' Equity</b>		
Capital stock (note 5)	11,887,263	11,116,681
Contributed surplus	1,944,589	1,937,706
Accumulated other comprehensive income	430,780	94,216
Deficit	(10,210,610)	(10,419,883)
	4,052,022	2,728,720
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,855,311</b>	<b>\$ 5,029,662</b>

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 September 30		Nine months ended September 30	
	2017	2016	2017	2016
<b>Revenue</b>	<b>\$ 3,227,680</b>	<b>\$ 2,218,790</b>	<b>\$ 9,321,463</b>	<b>\$ 6,683,288</b>
Cost of sales	1,823,269	1,339,953	5,306,017	3,955,346
Gross profit	1,404,411	878,837	4,015,446	2,727,942
Expenses				
Selling and administrative expenses	1,132,959	1,046,262	3,146,802	2,877,270
Stock based compensation (note 6)	(39,847)	143,936	286,597	287,705
Research and development expenses	64,288	106,553	188,842	319,802
	1,157,400	1,296,751	3,622,241	3,484,777
Income (loss) before undernoted items	247,011	(417,914)	393,205	(756,835)
Finance income (loss)				
Interest income	718	932	2,191	3,596
Interest expense	(1,716)	(10,324)	(4,903)	(45,959)
Accretion on long-term debt	—	663	—	(4,158)
Other income	922	—	922	—
Foreign exchange gain (loss)	(130,146)	17,995	(182,218)	(54,613)
Net finance income (loss)	(130,222)	9,266	(184,008)	(101,134)
Net income (loss) before income taxes	116,789	(408,648)	209,197	(857,969)
Income tax recovery	76	—	76	—
<b>Net income (loss) for the period</b>	<b>\$ 116,865</b>	<b>\$ (408,648)</b>	<b>\$ 209,273</b>	<b>\$ (857,969)</b>
Exchange differences on translating foreign operations	201,497	(46,264)	336,564	55,957
<b>Comprehensive income (loss) for the period</b>	<b>\$ 318,362</b>	<b>\$ (454,912)</b>	<b>\$ 545,837</b>	<b>\$ (802,012)</b>
<b>Net income (loss) per share</b> (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)	141,187,681	121,464,028	139,889,802	119,383,876
Weighted average number of common shares outstanding – diluted (note 7)	150,097,497	121,464,028	147,513,281	119,383,876

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		Contributed		Accumulated other comprehensive	Total
	Number	Amount	surplus	Deficit	income (loss)	Equity
<b>Balance at January 1, 2016</b>	115,932,819	\$ 8,991,958	\$ 1,807,960	\$ (9,469,081)	\$ 95,427	\$ 1,426,264
Comprehensive income (loss) for the period	—	—	—	(857,969)	55,957	(802,012)
Options exercised (note 5)	463,334	47,363	(8,426)	—	—	38,937
Warrants exercised (note 5)	5,923,788	636,847	(193,369)	—	—	443,478
Stock-based compensation (note 6)	—	—	94,271	—	—	94,271
<b>Balance at September 30, 2016</b>	122,319,941	\$ 9,676,168	\$ 1,700,436	\$ (10,327,050)	\$ 151,384	\$ 1,200,938
Comprehensive loss for the period	—	—	—	(92,833)	(57,168)	(150,001)
Options exercised (note 5)	206,667	17,117	(14,472)	—	—	2,645
Warrants exercised (note 5)	5,800,000	26,861	(27,833)	—	—	(972)
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)	—	—	48,719	—	—	48,719
<b>Balance at December 31, 2016</b>	139,209,937	\$ 11,116,681	\$ 1,937,706	\$ (10,419,883)	\$ 94,216	\$ 2,728,720
Comprehensive income for the period	—	—	—	209,273	336,564	545,837
Options exercised (note 5)	589,999	75,058	(28,261)	—	—	46,797
Warrants exercised (note 5)	4,852,398	695,524	(148,544)	—	—	546,980
Stock-based compensation (note 6)	—	—	183,688	—	—	183,688
<b>Balance at September 30, 2017</b>	144,652,334	\$ 11,887,263	\$ 1,944,589	\$ (10,210,610)	\$ 430,780	\$ 4,052,022

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 September 30		Nine months ended September 30	
	2017	2016	2017	2016
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net income (loss) for the period from operations	\$ 116,865	\$ (408,648)	\$ 209,273	\$ (857,969)
Items not affecting cash:				
Depreciation and amortization	192,697	54,349	432,448	152,369
Stock-based compensation (note 6)	(39,847)	143,936	286,597	287,705
Provisions	51,695	(9,545)	86,870	35,684
Interest accretion on bridge loan	—	(663)	—	4,158
Deferred income tax benefit	(9,522)	10,973	(31,360)	84,850
Unrealized foreign exchange gain (loss)	(234,797)	(103,663)	(195,841)	(471,899)
Changes in non-cash operating working capital (note 8)	(311,657)	(268,276)	(1,425,110)	(289,875)
<b>Cash used in operating activities</b>	<b>(234,566)</b>	<b>(581,537)</b>	<b>(637,123)</b>	<b>(1,054,977)</b>
<b>Investing activities</b>				
Purchase of property and equipment, net	(15,359)	(26,146)	(136,396)	(53,685)
Purchase of intangibles	(323,394)	—	(929,853)	—
Change in restricted cash	(844)	1,239	(2,953)	2,032
<b>Cash used in investing activities</b>	<b>(339,597)</b>	<b>(24,907)</b>	<b>(1,069,202)</b>	<b>(51,653)</b>
<b>Financing activities</b>				
Warrants exercised	546,980	302,846	546,980	636,847
Options exercised	9,433	299	46,773	47,363
Repayment of short-term debt	—	(1,662)	—	(273,893)
Receipt of notes receivable	—	27,106	—	73,114
Finance lease advances	(7,667)	(3,592)	27,030	10,922
<b>Cash provided by financing activities</b>	<b>548,746</b>	<b>324,997</b>	<b>620,783</b>	<b>494,353</b>
<b>Net decrease in cash during the period</b>	<b>(25,417)</b>	<b>(281,447)</b>	<b>(1,085,542)</b>	<b>(612,277)</b>
Cash, beginning of period	918,659	637,487	1,929,333	974,887
Effect of exchange rate changes on cash	42,558	6,756	92,009	186
<b>Cash, end of period</b>	<b>\$ 935,800</b>	<b>\$ 362,796</b>	<b>\$ 935,800</b>	<b>\$ 362,796</b>

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 November 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	September 30, 2017	December 31, 2016	September 30, 2016
Closing at the reporting date	0.8013	0.7448	N/A
Average rate for the period	0.7649	N/A	0.7565

**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**

	September 30, 2017	December 31, 2016
Trade accounts receivable	\$ 3,009,255	\$ 1,039,202
Less: Allowance for doubtful accounts	(50,487)	(43,872)
	\$ 2,958,768	\$ 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 Dataworx 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) were \$0.05 up to the one-year anniversary date, increasing to \$0.07 after the one-year anniversary date. The warrants expired in two years. The warrants attached to the common shares were valued at \$263,728. For the nine months ended September 30, 2017 2,876,212 (2016 – 11,223,788) of these warrants were exercised.

On December 15, 2016, the Company completed a private placement 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



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

**5. Capital Stock (continued)**

warrants expire on June 21, 2018. The warrants attached to the common shares were valued at \$230,857. For the nine months ended September 30, 2017, 1,976,186 of these warrants were exercised.

As at September 30, 2017, there were 2,965,472 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 September 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	245,500
	\$0.05 – \$0.07	Jan 2019 – Dec 2019	865,529
	\$0.06 – \$0.065	Jan 2020 – Dec 2020	5,266,666
	\$0.105 – \$0.21	Jan 2021 – Dec 2021	2,100,001
	\$0.22	Jan 2022 – Mar 2022	1,980,000
			10,457,696
Deferred Share Units	\$0.06	N/A	1,999,998
Warrants	\$0.26	Jun 2018	2,965,472
Total			15,423,166

*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 September 30, 2017, the Company had 7,415,474 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 nine months ended September 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 September 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	245,500	0.3 years	\$0.10	245,500	\$0.10
\$0.05 – \$0.07	865,529	1.7 years	\$0.06	865,529	\$0.06
\$0.06 – \$0.065	5,266,666	2.9 years	\$0.06	4,444,444	\$0.06
\$0.105 – \$0.21	2,100,001	3.7 years	\$0.13	1,199,998	\$0.13
\$0.22	1,980,000	4.5 years	\$0.22	660,003	\$0.22
	10,457,696	3.2 years	\$0.11	7,415,474	\$0.11

*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 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 September 30, 2017 were 14,465,233 (December 31, 2016 – 13,920,994) of which 10,457,696 were outstanding stock options and 1,999,998 were outstanding DSUs for a total of 12,457,694 (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 nine months ended September 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 September 30, 2017 is 4,520,771 (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.

The Company has amended the SAR’s plan by placing a limit on the appreciated value of the Company’s shares within the SAR’s plan to limit the overall liability.

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

**6. Stock-based Compensation**

The total stock based compensation expense relating to the value assigned to the stock options, DSUs and SARs granted to directors, officers, employees, and contractors for the nine months ended September 30, 2017 was \$286,597 (2016 – \$287,705) with a corresponding charge to contributed surplus (\$138,546 stock options, net of forfeits) and change in accrued liabilities (\$145,477 SARs). The Company granted 2,000,000 options during the nine months ended September 30, 2017 (2016 – 2,350,000) and nil SARs (2016 – 76,500). The weighted average fair value of the options granted (in Canadian dollars) during the nine months ended September 30, 2017 was \$0.13 per option (2016 – \$0.06), \$nil per DSU (2016 – \$0.105), and \$nil (2016 – \$0.05) per SAR unit at the grant date, \$0.185 per SAR unit at the September 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:

	September 30, 2017 Revaluation Date	December 31, 2016 Revaluation Date
Risk free interest rate (%)	1.68%	0.55%
Expected volatility (%)	89.9%	93.4%
Expected life (in years)	1.2	1.9
Expected dividends	nil	nil
Weighted average share price (in Canadian dollars) <sup>1</sup>	\$0.24	\$0.22
Forfeiture rate (%)	0%	0%

1. The Company has amended the SAR's plan to set a limit (in Canadian dollars) of \$0.24 per share for the maximum exercise price.

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

7. Net income (loss) per Share

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Numerator for basic and diluted net income (loss) per share:				
Comprehensive income (loss) for the period	\$ 318,362	\$ (454,912)	\$ 545,837	\$ (802,012)
<b>Net income (loss) for the period</b>	<b>\$ 116,865</b>	<b>\$ (408,648)</b>	<b>\$ 209,273</b>	<b>\$ (857,969)</b>
Denominator for basic net income (loss) per share:				
Weighted average number of common shares outstanding	141,187,689	121,464,028	139,889,802	119,383,876
Effect of potential dilutive securities	8,909,808	—	7,623,479	—
<b>Adjusted denominator for diluted net income (loss) per share</b>	<b>150,097,497</b>	<b>121,464,028</b>	<b>147,513,281</b>	<b>119,383,876</b>
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 nine months ended September 30, 2017 were 2,965,472 warrants with an exercise price of \$0.26 per warrant.

Excluded from the calculation of diluted net loss per share for the three and nine months ended September 30, 2016 were 9,427,965 stock options with a weighted average exercise price (in Canadian dollars) of \$0.08, 1,999,998 DSU's and 3,376,212 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 September 30		Nine months ended September 30	
	2017	2016	2017	2016
Trade and other receivables	\$(674,465)	\$(293,768)	\$(1,801,882)	\$(418,404)
Inventories	(8,521)	(21,081)	(12,223)	(24,283)
Prepaid expenses	(3,337)	35,094	(67,362)	(4,551)
Trade and other payables	186,402	28,137	281,878	139,690
Provisions	33,539	(30,475)	54,702	(7,918)
Unearned revenue and taxes	154,725	13,817	119,777	25,591
Total	\$(311,657)	\$(268,276)	\$ (1,425,110)	\$(289,875)

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

Other supplemental cash flow information is as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Cash received for interest	\$ —	\$ 624	\$ —	\$ 2,707
Cash paid for interest	—	6,174	—	47,316

## 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 September 30, 2017			
	Technology	Transcription Services	Corporate	Total
<b>Consolidated Loss and Comprehensive Loss</b>				
Recurring revenue	\$ 379,147	\$ 2,110,528	—	\$ 2,489,675
Non-recurring revenue	730,247	7,758	—	738,005
Gross profit	934,223	470,188	—	1,404,411
Selling and administrative expenses	414,592	465,454	252,913	1,132,959
Stock based compensation expense	—	—	(39,847)	(39,847)
Research and development expenses	64,288	—	—	64,288
Foreign exchange loss (gain)	51,073	79,073	—	130,146
Interest income	(80)	(638)	—	(718)
Interest expense	10	1,706	—	1,716
Other income	—	(922)	—	(922)
Taxes	—	(76)	—	(76)
Segment income (loss)	404,340	(74,409)	(213,066)	116,865
<b>Consolidated Balance Sheet</b>				
Total segment assets	\$ 5,368,811	\$ 1,486,500	—	\$ 6,855,311
Total segment current liabilities	925,391	1,025,442	657,474	2,608,307
Total segment non-current liabilities	81,613	113,369	—	194,982
<b>Other Items</b>				
Depreciation of property and equipment	\$ 8,078	36,303	—	\$ 44,381
Amortization of intangible assets	148,316	—	—	148,316

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

9. Segmented Financial Information (continued)

Three months ended September 30, 2016				
	Transcription			
	Technology	Services	Corporate	Total
<b>Consolidated Loss and Comprehensive Loss</b>				
Recurring revenue	\$ 341,366	\$ 1,573,282		\$ 1,914,648
Non-recurring revenue	303,576	566	—	304,142
Gross profit	537,449	341,388	—	878,837
Selling and administrative expenses	402,783	406,139	237,340	1,046,262
Stock based compensation expense	—	—	143,936	143,936
Research and development expenses	106,553	—	—	106,553
Foreign exchange loss (gain)	17,676	(35,671)	—	(17,995)
Interest income	(138)	(794)	—	(932)
Interest expense	8,212	1,449	—	9,661
Segment income (loss)	2,363	(29,735)	(381,276)	(408,648)
<b>Consolidated Balance Sheet</b>				
Total segment assets	\$ 2,303,338	\$ 1,328,606	—	\$ 3,631,944
Total segment current liabilities	1,169,384	847,009	304,362	2,320,755
Total segment non-current liabilities	2,756	107,493	—	110,249
<b>Other Items</b>				
Depreciation of property and equipment	\$ 5,555	\$ 29,163	—	\$ 34,718
Amortization of intangible assets	19,631	—	—	19,631

  

Nine months ended September 30, 2017				
	Transcription			
	Technology	Services	Corporate	Total
<b>Consolidated Loss and Comprehensive Loss</b>				
Recurring revenue	\$ 1,025,886	\$ 5,767,060	—	\$ 6,792,946
Non-recurring revenue	2,443,337	85,180	—	2,528,517
Gross profit	2,812,354	1,203,092	—	4,015,446
Selling and administrative expenses	1,083,369	1,243,704	819,729	3,146,802
Stock based compensation expense	—	—	286,597	286,597
Research and development expenses	188,842	—	—	188,842
Foreign exchange (gain) loss	85,062	97,156	—	182,218
Interest income	(183)	(2,008)	—	(2,191)
Interest expense	157	4,746	—	4,903
Other income	—	(922)	—	(922)
Taxes	—	(76)	—	(76)
Segment income (loss)	1,455,107	(139,508)	(1,106,326)	209,273
<b>Other Items</b>				
Depreciation of property and equipment	\$ 19,365	\$ 97,614	—	\$ 116,979
Amortization of intangible assets	315,469	—	—	315,469

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

9. Segmented Financial Information (continued)

Nine months ended September 30, 2016				
	Transcription			Total
	Technology	Services	Corporate	
<b>Consolidated Loss and Comprehensive Loss</b>				
Recurring revenue	\$ 980,355	\$ 4,578,295	—	\$ 5,558,650
Non-recurring revenue	1,109,570	15,068	—	1,124,638
Gross profit	1,613,258	1,114,684	—	2,727,942
Selling and administrative expenses	945,103	1,145,024	787,143	2,877,270
Stock based compensation expense	—	—	287,705	287,705
Research and development expenses	319,802	—	—	319,802
Foreign exchange loss	80,565	( 25,952)	—	54,613
Interest income	(802)	(2,794)	—	(3,596)
Interest expense	45,333	4,784	—	50,117
Segment income (loss)	223,257	(6,378)	(1,074,848)	(857,969)
<b>Other Items</b>				
Depreciation of property and equipment	\$ 15,777	78,433	—	\$ 94,210
Amortization of intangible assets	58,159	—	—	58,159

Revenues are segmented by geographic region as follows:

	Nine months ended September 30	
	2017	2016
Australia	\$ 6,574,464	\$ 4,969,554
United States	1,597,349	905,533
United Kingdom	732,046	355,735
Canada	350,928	391,987
Other	66,706	60,479
	\$ 9,321,463	\$ 6,683,288

Property and equipment is located in the following countries:

	Nine months ended September 30	
	2017	2016
Australia	\$ 96,371	\$ 109,285
Canada	68,208	56,665
	\$ 164,579	\$ 165,950

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

	Nine months ended September 30	
	2017	2016
First	21%	16%
Second	13%	14%
Third	12%	11%
Fourth	9%	7%
Fifth	2%	5%
Others	43%	47%
	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 September 30		Nine months ended September 30	
	2017	2016	2017	2016
Employee salaries and benefits (note 11)	\$ 2,327,085	\$ 2,116,464	\$ 6,904,144	\$ 6,041,099
Facilities	98,316	77,958	287,358	243,457
Depreciation and amortization	192,697	54,349	432,448	152,369
Travel	43,297	53,664	135,092	108,818
Professional and consulting fees	70,817	56,247	221,705	163,233
Inventory, materials and other cost of sales	108,208	62,997	464,372	273,920
Investor relations and other shareholder expenses	6,863	(13,386)	34,422	9,963
Insurance	11,093	10,601	33,047	32,975
Telephone and internet	48,800	63,038	118,078	152,073
Other	73,493	154,772	297,592	262,216
<b>Total</b>	<b>\$ 2,980,669</b>	<b>\$ 2,636,704</b>	<b>\$ 8,928,258</b>	<b>\$ 7,440,123</b>

**11. Employee Benefit Expense**

Expenditures for employee benefits are as follows:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Salaries and wages	\$ 1,973,697	\$ 1,431,485	\$ 5,492,009	\$ 4,309,630
Employee benefits	30,219	123,356	89,178	252,000
Contract labour	363,016	417,687	1,036,359	1,191,764
Stock-based compensation	(39,847)	143,936	286,598	287,705
<b>Total</b>	<b>\$ 2,327,085</b>	<b>\$ 2,116,464</b>	<b>\$ 6,904,144</b>	<b>\$ 6,041,099</b>

**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



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

**12. Risk Management for Financial Instruments (continued)**

categorized using observable market inputs (Level 2). The Company did not value any financial instruments using valuation techniques based on non-observable market inputs (Level 3) as at September 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 in the past and has financed these losses mainly through a combination of equity and debt offerings. As at September 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:

	September 30, 2017	September 30, 2016
United States	42%	27%
Australia	26%	47%
United Kingdom	20%	8%
Canada	7%	12%
Rest of world	5%	6%
	100%	100%

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

**12. Risk Management for Financial Instruments (continued)**

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

	September 30, 2017	December 31, 2016
Allowance for doubtful accounts – beginning of year	\$ 43,872	\$ 50,381
Add: allowance for doubtful accounts acquired	4,217	13,230
Bad debt expense	–	(16,792)
Foreign exchange adjustments	2,398	(2,947)
Allowance for doubtful accounts – end of year	\$ 50,487	\$ 43,872

**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 September 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 \$4,000 (2016 – nil).

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 \$10,000 (2016 – \$10,000) as at September 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 \$3,000 (2016 – \$6,000) as at September 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 \$182,218 for the nine months ended September 30, 2017 (2016 – foreign exchange loss of \$54,613).

**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.

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

---

**12. Risk Management for Financial Instruments (continued)**

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.

**13. Subsequent Events**

On October 3, 2017 the Company issued 500,000 stock options at an exercise price of \$0.32 to a Director of the Company.

On November 15, 2017 the Company closed a non-brokered private placement of 11,022,281 units at a price of \$0.30 per unit for gross proceeds of \$3,036,684. On November 22, 2017 the Company closed an additional 466,666 units of its non-brokered private placement for gross proceeds of \$140,000 and a brokered private placement of 4,051,166 units at a price of \$0.30 per unit for gross proceeds of \$1,215,350. Each unit was comprised of one common share plus one-half warrant with an exercise price of \$0.39 per full warrant. The warrants expire in 18 months.