



VIQ Solutions Inc.

Condensed Interim Consolidated Financial Statements
March 31, 2020 and 2019

(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 "Alexie Edwards"
Alexie Edwards
Chief Financial Officer

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

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 2,485,341	\$ 1,707,654
Trade and other receivables, net of expected credit loss (note 4)	4,418,452	3,169,545
Inventories	52,555	64,706
Prepaid expenses and deposits	196,394	184,207
	7,152,742	5,126,112
Non-current assets		
Restricted cash	32,863	37,536
Property and equipment (note 10)	116,393	111,587
Right of use assets (note 13)	532,081	647,046
Intangible assets	17,914,438	10,216,461
Goodwill	7,121,281	4,295,515
Deferred tax assets	334,542	334,542
Total assets	\$ 33,204,340	\$ 20,768,799
Liabilities		
Current liabilities		
Trade and other payables	\$ 5,626,982	\$ 3,073,361
Income tax payable	144,606	94,606
Share appreciation rights plan obligations (note 7)	136,929	149,078
Current portion of long-term debt (note 5)	1,024,742	1,103,438
Conversion feature derivative liability	311,683	2,336,804
Current portion of lease obligations (note 13)	270,173	307,436
Provisions (note 9)	373,162	441,667
Contract liabilities	832,411	455,026
	8,720,688	7,961,416
Non-current liabilities		
Deferred tax liability	4,205	4,205
Convertible debt (note 5)	158,416	3,601,182
Long-term debt (note 5)	11,405,360	6,505,637
Long-term contingent consideration	4,137,419	-
Long-term lease obligations (note 13)	305,224	382,208
Provisions	112,719	103,629
Total liabilities	24,844,031	18,558,277
Shareholders' equity		
Capital stock (note 6)	34,079,433	21,987,937
Contributed surplus	4,600,253	4,552,528
Accumulated other comprehensive income (loss)	(119,119)	(135,058)
Deficit	(30,200,258)	(24,194,885)
	8,360,309	2,210,522
Total liabilities and shareholders' equity	\$ 33,204,340	\$ 20,768,799

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 consolidated financial statements.

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

	Period ended March 31,	
	2020	2019
Revenue (note 10)	\$ 7,548,204	\$ 6,359,223
Cost of sales	4,318,312	3,322,085
Gross profit	3,229,892	3,037,138
Expenses		
Selling and administrative expenses	2,377,154	2,513,865
Research and development expenses	252,321	200,611
Stock-based compensation (note 7)	47,725	24,301
Loss (Gain) on revaluation of conversion feature liability	418,020	(357,930)
Inducement of conversion of shares	1,290,147	–
Foreign exchange (gain) loss	(252,249)	19,750
Depreciation and amortization	1,189,092	792,529
	5,322,210	3,193,126
Profit (Loss) before interest, accretion, business acquisition and financing costs, and income taxes	(2,092,318)	(155,988)
Interest income	204	623
Interest expense	(3,695,952)	(405,306)
Accretion expense	(163,863)	(210,484)
Net loss before income taxes	(5,951,929)	(771,155)
Income tax expense	(53,444)	–
Net loss for the period	\$ (6,005,373)	\$ (771,155)
Exchange differences on translating foreign operations	15,939	(377,430)
Comprehensive loss for the period	\$ (5,989,434)	\$ (1,148,585)
Net loss per share (note 8)		
Basic	\$ (0.45)	\$ (0.08)
Diluted	\$ (0.45)	\$ (0.08)
Weighted average number of common shares outstanding – basic and diluted (note 8)	13,410,453	9,170,244

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

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

	Capital stock		Contributed	Deficit	Accumulated	Total
	Number	Amount	surplus		other comprehensive income (loss)	
Balance at January 1, 2019	8,729,318	\$ 18,662,252	\$ 3,595,587	\$ (19,670,687)	\$ 127,753	\$ 2,714,905
Comprehensive loss for the period	–	–	–	(771,155)	(377,430)	(1,148,585)
Shares issued due to exercise of stock options (note 6)	12,208	19,854	–	–	–	19,854
Shares issued as debt financing costs	659,600	1,003,652	–	–	–	1,003,652
Stock-based compensation (note 7)	–	–	24,301	–	–	24,301
Balance at March 31, 2019	9,401,126	\$ 19,685,758	\$ 3,619,888	\$ (20,441,842)	\$ (249,677)	\$ 2,614,127
Comprehensive loss for the period	–	–	–	(3,753,043)	114,619	(3,638,424)
Shares issued due to exercise of stock options (note 6)	55,652	66,125	(26,348)	–	–	39,777
Shares issued due to exercise of warrants (note 6)	1,362,506	2,196,277	–	–	–	2,196,277
Shares issued due to exercise of DSUs	33,333	39,777	(39,221)	–	–	556
Shares issued upon settlement of payables	–	–	762,575	–	–	762,575
Options forfeited	–	–	(39,652)	–	–	(39,652)
Stock-based compensation (note 7)	–	–	275,286	–	–	275,286
Balance at December 31, 2019	10,852,617	\$ 21,987,937	\$ 4,552,528	\$ (24,194,885)	\$ (135,058)	\$ 2,210,522
Comprehensive loss for the year	–	–	–	(6,005,373)	15,939	(5,989,434)
Shares issued due to exercise of warrants (note 6)	1,014,886	1,561,039	–	–	–	1,561,039
Shares issued due to debenture conversion	6,395,636	10,530,457	–	–	–	10,530,457
Stock-based compensation (note 7)	–	–	47,725	–	–	47,725
Balance at March 31, 2020	18,263,139	\$ 34,079,433	\$ 4,600,253	\$ (30,200,258)	\$ (119,119)	\$ 8,360,309

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

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

	Period Ended March 31,	
	2020	2019
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (6,005,373)	\$ (771,155)
Items not affecting cash:		
Depreciation and amortization	1,103,420	683,506
Depreciation – ROU	85,672	109,023
Stock-based compensation (note 7)	47,725	24,301
(Gain)loss on revaluation of conversion feature liability	418,020	(357,930)
Inducement of conversion of shares	1,290,147	–
Accretion expense	163,863	210,484
Interest expense	3,695,748	404,683
Income tax expense	53,444	–
Provisions	9,090	7,115
Deferred income tax expense (recovery)	–	(1,934)
Foreign exchange (gain) loss	(252,249)	19,750
Unrealized foreign exchange gain	(543,039)	(232,634)
Changes in non-cash operating working capital (note 9)	(74,374)	(246,153)
Cash used in operating activities	(7,907)	(150,945)
Investing activities		
Purchase of property and equipment	(26,988)	(12,155)
Business acquisitions, net of cash acquired (note 1)	(4,411,500)	–
Development costs related to internally generated intangible assets	(338,362)	(400,091)
Change in restricted cash	4,673	(268)
Cash used in investing activities	(4,772,177)	(412,514)
Financing activities		
Proceeds from the exercise of stock options (note 6)	–	17,758
Proceeds from the exercise of warrants (note 6)	1,572,366	–
Proceeds from debt, net of cash issuance costs (note 5)	4,566,945	–
Repayment of debt	(190,127)	(40,000)
Repayment of lease obligations	(95,522)	(94,886)
Payment of interest on debt	(171,993)	(41,896)
Lease advances	(15,680)	(32,696)
Cash provided by (used in) financing activities	5,665,988	(191,720)
Net increase (decrease) in cash for the period	885,904	(755,179)
Cash, beginning of period	1,707,654	1,922,768
Effect of exchange rate changes on cash	(108,218)	24,904
Cash, end of period	\$ 2,485,341	\$ 1,192,493
Supplemental disclosure (note 9)		

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

VIQ Solutions Inc.
Notes to 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.

In December 2019, the Company completed a 1:20 reverse stock split. The exercise price or conversion price of, and the number of common shares issuable under, any convertible securities of the Company were proportionately adjusted upon completion of the reverse stock split. References in these consolidated financial statements to share amounts, per share data, share prices, exercise prices and conversion prices have been adjusted to reflect the 1:20 reverse stock split.

On January 31, 2020, The Company through its US subsidiary VIQ services Inc., acquired the assets of ASC Services LLC (“ASC”). The purchase price paid for the ASC acquisition was \$6.9 million, with \$3.1 million paid in cash on closing and \$3.8 million paid via an earn-out payable quarterly over 30 months.

On February 26, 2020, the Company through its US subsidiary VIQ services Inc., acquired the shares of WordZXpressed Inc. The purchase price paid for the WordZ acquisition was \$4.7 million, with \$1.3 million paid in cash on closing, \$1.2 million paid via a promissory note payable quarterly over 36 months and \$2.2 million paid via an earnout payable quarterly over 36 months.

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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and IAS 34 “Interim Financial Reporting” applicable to the preparation of condensed interim consolidated financial statements. The notes presented in these condensed interim consolidated financial statements include, in general, only significant changes and transactions occurring since the Company’s last year end and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2019 and 2018.

The consolidated financial statements were authorized for issuance by the Board of Directors on May 7, 2020.

(b) Basis of presentation

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value as noted below. All financial information is presented in USD.

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

2. Basis of preparation (continued)

(c) Functional and presentation currency

The functional currency of VIQ Solutions Inc. is the Canadian dollar (“CAD”). The functional currency of the Company’s subsidiaries are as follows; Dataworxs Systems Limited – CAD, VIQ Solutions, Inc. – United States dollar (“USD”), VIQ Australia Pty. Ltd – Australian dollar (“AUD”), Dataworxs Systems Australia Pty. Ltd – AUD, Spark & Cannon Australasia Pty. Ltd – AUD, Spark & Cannon Pty – AUD, VIQ Services Inc. – USD, Net Transcripts – USD, Transcription Express – USD and HomeTech - USD. These interim consolidated financial statements are presented in USD.

The exchange rates used were as follows:

USD / CAD exchange rate	March 31, 2020	December 31, 2019	March 31, 2019
Closing at the reporting date	0.7056	0.7682	0.7483
Average rate for the period	0.7455	0.7537	0.7524
AUD / USD exchange rate	March 31, 2020	December 31, 2019	March 31, 2019
Closing at the reporting date	0.6140	0.7013	0.7096
Average rate for the period	0.6581	0.6954	0.7127

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 condensed interim consolidated financial statements and notes to the condensed 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 accounting policies, estimates and judgments used in the preparation of these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2019 as these condensed interim consolidated financial statements follow the same accounting policies and methods of application.

4. Trade and other receivables

	March 31, 2020	December 31, 2019
Trade accounts receivable	\$ 4,519,020	\$ 4,071,760
Less: expected credit losses (note 14)	(100,568)	(902,215)
	\$ 4,418,452	\$ 3,169,545

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

5. Debt

	March 31, 2020	December 31, 2019
Secured debt facility with Crown Capital Funding Partner LP ("Crown") for \$10,901,009 (CAD\$15,450,000) bearing an interest rate of 10% payable quarterly. The loan is secured by a general security agreement covering all assets of the Company. The outstanding principal balance of the loan is repayable on November 28, 2023. In conjunction with the debt facility, 450,000 common share purchase warrants were issued to Crown. Each warrant is convertible into one common share in the capital of the Company at a price per share equal to CAD\$2.06 until November 28, 2023. In addition, in lieu of payment of the debt facility origination fee the Company issued 106,383 common shares to Crown at a deemed price of CAD\$2.80 which was equal to the 20 day volume weighted trading price on the trading day immediately preceding November 28, 2018.	\$ 9,814,116	\$ 5,964,602
Unsecured convertible notes with a face value of \$1,000 bearing interest at a rate of 10% per annum maturing in five years after issuance. The principal amount of the notes is convertible, at the option of the holder, into common shares at a conversion price of CAD\$2.18 per share. In conjunction with the convertible notes, 244,719 common share purchase warrants were issued to the holders of the convertible notes. Each common share purchase warrant is convertible into one common share in the capital of the Company at a price equal to CAD\$2.14 until two years after the issuance of the notes.(ii) During the period ended March 31, 2020, the Company amended the convertible notes. The holders converted \$6,404,319 (CAD\$8,577,346) to equity.	470,099	5,937,986
Unsecured promissory note with the former owners of Transcription Express with a face value of \$1,666,227, bearing interest at 10% to be paid quarterly for 24 months. (iii)	667,515	863,438
Unsecured promissory note with the former owners of Hometech with a face value of \$1,200,000, to be paid \$20,000 monthly for 60 months which began February 25, 2019. (iii)	742,881	781,035
Unsecured promissory note with the former owners of WordZ with a face value of \$1,200,000 bearing interest at 5% to be paid beginning January 5, 2021	1,205,589	-
	-	-
Less current portion	(1,024,742)	(1,103,438)
	\$ 11,875,459	\$ 12,443,623

- (i) A value of \$623,152 (CAD\$828,917) was attributed to the 450,000 warrants and has been included in contributed surplus. A value of \$225,530 (CAD\$300,000) was attributed to the 106,383 common shares and has been included in capital stock. Legal fees associated with establishing the debt facility were netted against the face value of the debt facility. The difference between the face value and ascribed value of the debt, being the carrying value of the warrants, the origination fee paid via the issuance of common shares and the legal fees is being accreted over the five year life of the debt facility. The warrants have an exercise price of CAD\$2.06, expiring on November 28, 2023. Additional issuance cost of \$317,520 (CAD\$450,000) was added to the facility.
- (ii) The fair value of the convertible note was determined based on a market annual interest rate of 12%. A value of \$311,683 was attributed to the convertibility option. The difference between the face value and ascribed value of the debt, being the value of the convertibility option, is being accreted over the five year life of the convertible note
- (iii) The fair value of the unsecured promissory notes was determined on a market annual interest rate of 5.5%. The difference between the face value and the ascribed value of the notes is being accreted over life of the notes.

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

6. Capital stock

The Company's authorized capital consists of an unlimited number of common shares with no par value. As at March 31, 2020, common shares of the Company were reserved as follows:

	Exercise Price (CAD)	Expiry dates	Number outstanding
Options	\$1.20 – \$1.30	January 2020 – December 2020	232,500
	\$2.10 – \$4.20	January 2021 – December 2021	95,833
	\$4.40 – \$6.40	January 2022 – December 2022	97,000
	\$2.90 - \$6.00	January 2023 – December 2023	141,250
	\$2.20 - \$3.10	January 2024 – December 2024	250,350
			816,933
Deferred share units	\$1.20	N/A	66,667
Warrants	\$3.24	May 2020	292,196
	\$2.14	April 2020	88,652
	\$3.24	November 2020	14,278
	\$2.60	January 2021	659,600
	\$2.06	November 2023	450,000
			1,504,726

Warrants

On November 28, 2018, the Company entered into a secured debt facility with Crown Capital Funding Partner LP which included the issuance of 450,000 common share purchase warrants as debt issuance costs. The exercise price of the warrants were repriced to CAD \$2.06. The warrants expire on November 28, 2023.

During the quarter March 31, 2020, 1,014,874 warrants which were granted with the convertible debt issued on November 28, 2018, December 21, 2018 and May 7, 2019 were exercised at the exercise price of CAD \$2.14.

As at March 31, 2020, there were 1,504,726 warrants outstanding (December 31, 2019 – 2,519,600).

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 March 31, 2020, the Company had 816,933 options (December 31, 2019 – 613,283) that had vested with a weighted average exercise price of CAD \$2.56 per share (December 31, 2019 – \$2.62).

During the three months ended March 31, 2020, there were no stock options granted to directors, officers, employees, and contractors (December 31, 2019 – 257,850). During the three months ended March 31, 2020, there were no stock options exercised (December 31, 2019 – 67,860 stock options) for nil proceeds (December 31, 2019 - \$59,631).

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

6. Capital stock (continued)

The following information applies to stock options outstanding and exercisable at March 31, 2020:

Range of exercise prices (CAD)	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price (CAD)	Options exercisable	Weighted average exercise price (CAD)
\$1.20 – \$1.30	232,500	0.5 years	\$1.24	232,500	\$1.24
\$2.10 – \$4.20	95,833	1.2 years	\$2.69	95,833	\$2.69
\$4.40 – \$6.40	97,000	2.1 years	\$4.92	97,000	\$4.92
\$2.84 - \$6.00	141,250	3.6 years	\$3.28	100,417	\$3.44
\$2.20 – \$3.10	250,350	4.3 years	\$2.44	101,783	\$2.54
	816,933	2.4 years	\$2.56	627,533	\$2.59

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 100,000 units.

Maximum allowable grants under the Stock Option and DSU plans in aggregate as at March 31, 2020 were 1,826,314 (December 31, 2019 – 1,085,261) of which 816,933 were outstanding stock options and 66,667 were outstanding DSUs for a total of 883,600 (December 31, 2019 – 934,767).

The Company did not grant any DSU’s to Directors of the Company during the quarter ended March 31, 2020 (2019 – nil).

Share Appreciation Rights Plan

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

At any time on or after the 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 value of each SAR unit when issued is based on the market price of the Company’s stock on the date of grant. At the end of December 31, 2017, the Company 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. The total number of SAR units which have vested as at March 31, 2020 is 163,990 (December 31, 2019 – 163,990). The total number of SAR units which are unvested as at March 31, 2020 is nil (December 31, 2019 – nil). During the year ended December 31, 2018, the Company amended the outstanding SAR’s to extend the expiry of the SAR’s from December 31, 2018 to July 15, 2020, the date the SAR’s plan will expire.

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

7. Stock-based compensation

The total compensation expense relating to the value assigned to the stock options, DSUs and SARs granted to directors, officers, employees, and contractors for the year ended March 31, 2020 was \$47,725 (2019 – \$24,301) which was included in stock-based compensation expense, with a corresponding charge to contributed surplus.

During the quarter ended March 31, 2020, nil SARs were exercised (December 31, 2019 – 28,663) resulting in nil payments. (December 31, 2019 - \$80,256)

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. 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 granted was calculated using the following weighted average assumptions:

	2020	2019
Risk free interest rate (%)	1.41 – 2.49%	1.49 – 2.49%
Expected volatility (%)	72.93 – 85.09%	72.9 – 93.75%
Expected life (in years)	5.0	4.0
Expected dividends	Nil	Nil
Weighted average share price (CAD)	\$2.63	\$2.80
Forfeiture rate (%)	Nil	Nil

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

	March 31, 2020 revaluation date	December 31, 2019 revaluation date
Risk free interest rate (%)	1.155 – 1.495%	1.86%
Expected volatility (%)	37.8%-44.2%	37.81%-44.20%
Expected life (in years)	0.29	0.05-1.75
Expected dividends	Nil	Nil
Weighted average share price (CAD)	\$3.40	\$2.20
Forfeiture rate (%)	Nil	Nil

The Company has amended the outstanding SAR's to extend the expiry of the SAR's from December 31, 2018 to July 15, 2020, the date the SAR's plan will expire.

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

8. Net loss per share

	Year ended March 31,	
	2020	2019
Numerator for basic and diluted net loss per share:		
Net loss for the period	\$ (6,005,373)	\$ (771,155)
Denominator for basic net income per share:		
Weighted average number of common shares outstanding	13,410,453	9,170,244
Effect of potential dilutive securities	–	–
Adjusted denominator for diluted net loss per share	13,410,453	9,170,244
Basic net loss per share	\$ (0.45)	\$ (0.08)
Diluted net loss per share	\$ (0.45)	\$ (0.08)

For the quarter ended March 31, 2020, potentially dilutive common shares issuable upon the exercise of the conversion option related to convertible debt, warrants and options were not included in the computation of loss per share because their effect was anti-dilutive.

9. Supplemental cash flow information

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

	Three months ended March 31	
	2020	2019
Trade and other receivables	\$ (341,005)	\$ (413,395)
Inventories	4,780	(46,852)
Prepaid expenses	(21,270)	(105,761)
Trade and other payables	53,171	385,022
Provisions	(14,497)	67,086
Contract liabilities and taxes	244,448	(125,138)
Total	\$ (74,374)	\$ (239,038)

Other supplemental cash flow information as follows:

	Three ended March 31	
	2020	2019
Cash received for interest	\$ –	\$ –
Cash paid for interest	171,993	63,923

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

10. 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:

	Period ended March 31, 2020			
	Technology	Transcription services	Corporate	Total
Consolidated income (loss)				
Recurring revenue	\$ 363,839	\$ 6,851,409	\$ –	\$ 7,215,248
Non-recurring revenue	319,939	13,016	–	332,956
Gross profit	498,516	2,731,376	–	3,229,892
Selling and administrative expenses	758,936	1,098,664	519,554	2,277,154
Stock-based compensation	–	–	47,425	47,425
Research and development expenses	252,321	–	–	252,321
Depreciation and amortization	485,965	703,127	–	1,189,092
Foreign exchange loss (gain)	(297,013)	44,764	–	(252,249)
Interest income	–	(204)	–	(204)
Interest and accretion expense	7,103	–	3,852,712	3,852,712
Inducement on conversion of shares	–	–	1,290,147	1,290,147
Gain on revaluation of conversion feature	–	–	418,020	418,020
Tax expense	–	53,444	–	53,444
Segment gain (loss)	(708,797)	831,581	(6,128,158)	(6,005,373)
Consolidated balance sheet				
Total segment assets	\$ 5,872,491	\$ 27,331,849	\$ –	\$ 33,204,340
Total segment current liabilities	1,908,247	6,363,829	448,612	8,720,688
Total segment non-current liabilities	–	15,964,927	158,416	16,123,343

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

10. Segmented financial information (continued)

	Period ended March 31, 2019			
	Technology	Transcription services	Corporate	Total
Consolidated loss				
Recurring revenue	\$ 392,946	\$ 5,096,430	\$ –	\$ 5,489,376
Non-recurring revenue	716,146	153,701	–	869,847
Gross profit	592,423	2,444,715	–	3,037,138
Selling and administrative expenses	690,998	1,385,732	437,135	2,513,865
Stock-based compensation	–	–	24,301	24,301
Research and development expenses	200,611	–	–	200,611
Depreciation and amortization	304,782	487,747	–	792,529
Foreign exchange loss	19,750	–	–	19,750
Interest income	–	(623)	–	(623)
Interest and accretion expense	7,734	608,056	–	615,790
Gain on revaluation of conversion	–	–	(357,930)	(357,930)
Segment loss	(631,452)	(36,197)	(103,506)	(771,155)
Consolidated balance sheet				
Total segment assets	\$ 5,998,662	\$ 15,820,269	\$ –	\$ 21,818,931
Total segment current liabilities	3,146,751	6,406,463	235,494	9,788,708
Total segment non-current liabilities	30,379	9,385,717	–	9,416,096

Revenues are segmented by geographic region as follows:

	2020	2019
United States	\$5,460,671	\$ 3,398,364
Australia	1,985,794	2,185,551
United Kingdom	36,518	556,831
Canada	48,387	177,154
Other	16,834	41,323
	\$7,548,204	\$6,359,223

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

	2020	2019
First	12%	16%
Second	7%	10%
Third	6%	10%
Fourth	4%	8%
Fifth	4%	6%
Others	67%	50%
	100%	100%

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

10. Segmented financial information (continued)

Property and equipment are located in the following countries:

	2020	2019
Canada	\$ 92,477	\$ 52,594
Australia	23,916	78,467
	\$ 116,393	\$ 101,061

11. Expenses by nature

Expenses incurred by nature are as follows:

	2020	2019
Employee salaries and benefits (note 12)	\$ 5,763,400	\$ 4,849,198
Inventory, materials and other cost of sales	185,956	443,236
Depreciation and amortization	1,189,092	792,529
Facilities	120,649	135,860
Professional and consulting fees	254,565	171,481
Bad debt	-	147,766
Marketing and advertising/promotion expenses	28,855	6,964
Software license and IT expenses	220,853	28,591
Telephone and internet	120,394	104,167
Travel	75,855	57,658
Investor relations and other shareholder expenses	65,284	19,556
Insurance	17,756	32,889
Other	141,945	63,496
Total	\$ 8,184,604	\$ 6,853,391

12. Employee benefit expense

Expenditures for employee benefits are as follows:

	2020	2019
Salaries and wages and employee benefits	\$ 2,720,536	\$ 2,937,008
Contract labour	2,927,996	1,882,603
Stock-based compensation	47,725	24,301
Other staff expense	67,243	5,286
Total	\$ 5,763,400	\$ 4,849,198

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

13. Leases

Effective January 1, 2019 (hereafter referred to as the “date of initial application”), the Company adopted IFRS 16 Leases as issued by the IASB in January 2016. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and lessor. The standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets and lease obligations of \$1,072,426 were recorded as of January 1, 2019, with no net impact on deficit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 10% at January 1, 2019. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

14. Risk management for financial instruments

Fair values

The estimated fair values of cash, trade and other receivables, 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 current 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 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 consolidated balance sheets consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). Share appreciation rights and the conversion feature derivative liability are 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 March 31, 2020.

Liquidity risk

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. Management believes that it has raised sufficient cash to meet all of its contractual debt that is coming due in 2020 and has the ability to fund any operating losses that may occur in the upcoming periods.

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.

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

14. Risk management for financial instruments (continued)

Historically, the Company has suffered losses under trade receivables. 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 expected credit losses, as soon as the account is determined not to be fully collectible. The allowance is recorded as an expense in the consolidated statements of loss and comprehensive loss. Shortfalls in collections are applied against this provision. Estimates for allowance for expected credit losses 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:

	March 31, 2020	March 31, 2019
United States	76%	56%
Australia	14%	25%
United Kingdom	9%	10%
Canada	1%	7%
Rest of world	0%	2%
	100%	100%

The activity of the expected credit loss provision is as follows:

	March 31, 2020	December 31, 2019
Expected credit loss – beginning of year	\$ 902,215	\$ 769,930
Add: provision for expected credit loss	–	114,237
Less: write-offs	(742,695)	–
Foreign exchange adjustments	(58,952)	18,048
Expected credit loss – end of period	\$ 100,568	\$ 902,215

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 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.

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 United States 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

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

14. Risk Management for Financial Instruments (continued)

March 31, 2020, fluctuations of the Australian dollar relative to the United States dollar of 5% would result in an exchange gain or loss on the net financial assets, impacting the Company's comprehensive income by approximately \$13,000 (2019 – \$14,000).

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 \$32,000 (2019 – \$27,000) as at March 31, 2020.

The Company's computer products and services operations are exposed to exchange rate changes in the Great Britain pound relative to the United States dollar since a portion of this business unit's sales are denominated in Great Britain pounds with most of the related expenses in United States 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 \$nil (2019 – \$7,000) as March 31, 2020.

Foreign currency risk (continued)

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 gain from operations of \$252,249 for the quarter ended March 31, 2020 (2019 – foreign exchange loss of \$19,750).

Capital management

The Company considers its capital structure to consist of shareholders' equity, long-term debt and convertible debt. 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.

15. Other matters

COVID-19 update

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

Our team met the COVID-19 challenge by moving quickly and decisively to implement measures to protect our employees while maintaining business continuity. While the full impact and duration of COVID-19 is unknown at this time, we believe VIQ's swift response and diversification position us well to weather this disruption

16. Subsequent events

On April 24, 2020, the company received a loan for \$2.1M under the U.S. Small Business Administration Pay Check Protection Program through BMO Harris Bank. Interest rate is 1% and matures in two years. Principal and interest is due beginning seven months from date of note. Generally, the loan will be forgiven if utilized for payment of qualifying expenses during the eight weeks period that begins at the origination date of the loan.