VIQ Solutions Inc.

Q2 2024 Management's Discussion and Analysis of Financial Condition and Results of Operations

(Expressed in United States dollars)

VIQ Solutions Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months and six months ended June 30, 2024

The following Management's Discussion and Analysis ("MD&A") comments on the financial condition and results of operations of VIQ Solutions Inc. for the three months and six months ended June 30, 2024. This MD&A should also be read in conjunction with our annual MD&A and audited financial statements for the years ended December 31, 2023, and 2022, which we prepared in accordance with IFRS and are available on SEDAR at www.sedar.com.

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to substantial risks and uncertainties. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risk Factors". The information in this MD&A is provided as of August 12, 2024, unless otherwise indicated.

Unless the context otherwise requires, all references to "VIQ", "Company", "VIQ Solutions", "our", "us", and "we" refer to VIQ Solutions Inc. and its subsidiaries.

All amounts herein are presented in United States dollars ("USD"), unless otherwise indicated.

Forward-Looking Statements

This MD&A contains forward-looking statements about our expected achievements, the recovery of the global economy, the timing of disclosure related to key performance indicators, the use of future cash and capital allocation, the remediation of material weaknesses in internal controls, the future adoption of technology, the future success of our business and technology strategies, performance, goals, and other future events. Management's assessment of future plans and operations, cash flows, methods of financing and the ability to fund financial liabilities and the timing of and impact of adoption of IFRS and other accounting policies may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, the risks identified below.

Therefore, the Company's actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information, but which may prove to be incorrect. Although the Company currently believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because such statements are subject to substantial risks and uncertainties. The Company can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by the Company, assumptions have been made regarding, among other things: the expected impact of increasing competition; the general stability of the economic and political environment in which the Company operates, including significant changes in demand from the Company's clients as a result of the impact of a global economic crisis and capital markets weakness; the risk of potential non-performance by counterparties, including but not limited to, clients and suppliers, during uncertain economic conditions; the Company's dependence on a limited number of clients; the Company's dependence on industries affected by rapid technological change; the Company's ability to successfully manage its operations internationally including in the United Kingdom, Australia and the United States; the challenge of managing its financial exposures to foreign currency fluctuations; the Company's ability to obtain and retain qualified staff and services in a timely and cost-efficient manner; the Company's ability to obtain financing on acceptable terms when needed, including anticipated sources of funding of working capital and financial losses which may include securing credit facilities, accessing new equity, corporate acquisitions or business combinations or joint venture arrangements; the ability to secure new contracts on terms acceptable to the Company; the ability to successfully develop new products; the Company's ability to effectively register, for protection, its new and existing technologies and products in certain jurisdictions; the Company's ability to protect new and existing products from proprietary infringement by third parties and its ability to effectively enforce such proprietary infringements; taxes in the jurisdictions in which the Company operates, including Canada, the United Kingdom, Australia and the United States; and the Company's ability to successfully market its products. Readers are cautioned that the foregoing list of factors is not exhaustive.

The purpose of the forward-looking statements is to provide the reader with a description of management's current expectations regarding the Company's 2024 outlook and may not be appropriate for other purposes. Readers are encouraged

to read the section entitled "Risk Factors" in this MD&A and the section entitled "Risk Factors" in the Company's Annual information form filed with the Ontario Securities Commission for a broader discussion of the factors that could affect its future performance. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Trademarks

This MD&A includes trademarks, such as "CapturePro", "aiAssist" and "NetScribe", which are protected under applicable intellectual property laws and are the property of VIQ. Solely for convenience, our trademarks referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert our rights to these trademarks, trade names and services marks to the fullest extent under applicable law. Trademarks which may be used in this MD&A, other than those that belong to VIQ, are the property of their respective owners.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. Non-IFRS measures are used by management to provide additional insight into our performance and financial condition. We believe non-IFRS measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the consolidated financial statements.

We use the following non-IFRS financial performance measures in our MD&A:

- Adjusted EBITDA
- EBITDA
- Bookings
- Gross Margin for Technology Services
- Gross Margin for Technology and related revenue

For a detailed description of each of the non-IFRS measures and ratios used in this MD&A and a detailed reconciliation to the most directly comparable measure under IFRS, please refer to the "Key Operating Metrics – Non-IFRS Measures" section of this MD&A. The non-IFRS measures and ratios set out in this MD&A are intended to provide additional information to investors and do not have any standardized meaning under IFRS, and therefore may not be comparable to other issuers, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

VIQ Solutions Inc.
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Overview

VIQ Solutions is a leading provider of capture software and cloud-based transcription workflow automation solutions that assist government agencies and commercial enterprises to securely digitize information-intensive voice and video content.

Our technology, which delivers a seamless, proprietary workflow and documentation platform securely captures, transforms, distributes, and manages complex digital voice and video content for over 4,000 active clients in the criminal justice, legal, insurance, media, government, and financial services verticals. We have operations in the United States (U.S.), Canada, Australia, and Europe.

Our scalable technology utilizes Artificial Intelligence ("AI") designed to ingest significant amounts of evidentiary content to produce accurate, verbatim, diarized transcripts for mission critical events that have lasting financial and social impacts. The Company's proprietary AI models and supervised learnings are built and trained on large set of specialized industry and client specific content not publicly available to large language models.

Our technology solutions are proven to deliver productivity enhancements, which drive down our overall production costs and speed of delivery, leading to meaningful gross margin improvements. Our automated workflow has enabled profitable growth while improving the overall service levels, strengthening our AI learning, and bolstering our competitive advantage.

Revenue

The recurring nature of our revenue base is a key indication of performance. Most of our revenue is tied to major contracts and is expected to remain generally the same or increase in terms of the overall contribution to the Company. Also, these contracts are tied to government entities and multinational Fortune 500 companies that provide little credit risk and accordingly provide a reliable revenue stream.

Our revenue comes from transcription services, software-as-a-service (SaaS), software license fees, support and maintenance and other recurring fees, professional service fees, and hardware sales. Transcription service revenue consists of fees charged for editing documentation services provided to our clients. Technology service revenue consists of fees charged for automated transcription services. Software-as-a-service (SaaS) allows customers to use hosted software over a term without taking possession of the software and is provided on a subscription basis. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under perpetual arrangements and to a lesser extent sale of third-party software licenses. These license sales are larger contracts with longer sales cycles and are more variable in nature. Support and maintenance and other recurring revenue primarily consist of fees charged for client support on our software products post-delivery. Professional service revenue consists of fees charged for customization, implementation, integration, training, and ongoing services associated with our software products and technology services. Hardware revenue includes the resale of third-party hardware that forms part of our client solutions. Occasionally, our clients may purchase a combination of software, maintenance, professional services, and hardware, although the type, mix and quantity vary by client to create a solution for the client's unique requirements.

Cost of Sales

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

Selling and Administrative Expenses

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

We continue to invest globally in sales, marketing, and business development to continue to diversify across segments, industries and geographies building awareness of global brand to increase our future revenue growth opportunities.

Research and Development Expenses

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

Business Overview of Q2 2024

In the second quarter, the Company achieved higher revenue growth versus the comparable prior year quarter and improvements in gross margin. The Company's performance in Q2 2024 highlights the continued momentum of these two important levers.

During the second quarter of 2024, our Company has completed its transition to a cloud-based AI-operated platform. The platform incorporates various proprietary AI tools and models that improve the productivity of industry experts and customize client workflows. As a result, we have witnessed positive financial results, leading to steady margin improvements in Q2 2024. These improvements stem from increased productivity, reduced administrative time, a commitment to flexible labor and a shift towards using independent contractors for editing. We anticipate the most significant benefits to materialize in the second half of the year. The adoption of this technology, coupled with the Company's embrace of change, is very promising.

Following the migration to advanced Technology and Artificial Intelligence, our focus has shifted to further margin expansion. We estimate that a 1% improvement in our technology service gross margin equates to approximately $400,000 in annual Adjusted EBITDA contribution. The platform processes audio and video content from customers efficiently by integrating security protocols and compliance into customized client workflows to generate detailed transcripts. It includes several proprietary software features, such as AI augmentation tools like supervised learning, post-processing rules, and unique domain language models. These tools enable human experts to handle larger workload effectively, ensuring accurate verbatim transcripts while adhering to client-specific formatting rules for delivery.

Our customers aim to reduce the transcription time of multi-speaker recordings from days to mere hours or minutes. This goal is achieved by modernizing workflows and leveraging industry-specific technology, which requires human verification for legal purposes.

Second Quarter 2024 Operational Highlights

- Global Tech-AI migrations: We completed the planned migrations to the Netscribe aiAssist platform, resulting in improved gross margins.
- Volume Expansion: The volume in the Insurance vertical continues to gain momentum, with higher volumes expected to persist.
- Client Adoption and Utilization: The adoption and utilization of FirstDraft across all segments of revenue has increased.
- Enhanced AI Platform: Higher volumes processed in the AI Platform have strengthened proprietary Domain Specific Language Models (DSLMs) and post-processing, leading to reduced word error rates and decreased time needed to produce a minute of audio.

We are striving towards making transcription more accessible and affordable for our customers and their clients, with shorter turnaround times, addressing the current limitations and high costs of transcription services. In Q3 2024, we will launch an expanded version of Netscribe to meet this critical requirement.

The increase in volumes from our insurance customers this quarter has notably impacted the insurance sector. The growth in our services to this sector is driven by the adoption of our SaaS technologies, which is propelling our shift towards technology-enabled solutions.

Our focus on developing Domain Specific Language Models (DSLMs), Post-Processing Client Specific Engines, and Supervised Learning in our proprietary AI is enhancing the quality of our near-real-time and real-time solutions, making them unique in the industry. While many prioritize content accuracy, we consider this a core strength of our Speech-to-Text framework. We are committed to enhancing the usability of our documentation and continue to invest in this area. Our access to rich content in specific segments and geographies where VIQ operates gives us a distinct advantage.

In the second quarter of 2024, we achieved positive EBITDA, demonstrating the strength of our technology and positioning the Company for crucial improvements in its overall health. We remain committed to executing effectively for our customers and meeting our strategic and financial objectives.

Key Operating Highlights during the three months and six months ended June 30, 2024

- Total revenue for the three months ended June 30, 2024, was $11,575,614, an increase of $1,056,721 or 10% from $10,518,893 recognized in the comparative period in 2023. Total revenue for the six months ended June 30, 2024, was $21,497,287, an increase of $925,823 or 5% from $20,571,464 recognized in the comparative period in 2023. The increase for the three months and six months is primarily due to higher transcription volumes from Australia and U.S. as well as higher technology sales than the comparative period. Excluding the impact of foreign exchange, we would have reported positive revenue growth of 11% over comparative period 2023 for the three months and 6% for the six months ended June 30, 2024.

- Gross Profit for the three months ended June 30, 2024, increased by $627,936 or 14%, to $5,262,817, from $4,634,881, for the comparative period in 2023. Gross Profit for the three months ended June 30, 2024, represented 45.5% of revenue versus 44.1% of revenue in the comparative period in 2023. Gross Profit for the six months ended June 30, 2024, increased by $592,537 or 7%, to $9,655,375, from $9,062,838, for the comparative period in 2023. Gross Profit for the six months ended June 30, 2024, represented 44.9% of revenue versus 44.1% of revenue in the comparative period in 2023. The increase in gross profit for the three months and six months is primarily due to higher revenue than comparative period 2023. The increase is Gross Profit % for the three and six months ended June 30, 2024 are a result of improved operational efficiency and productivity tied to Netscribe implementations and improvement to certain customer contracts.

- Net loss for the three months ended June 30, 2024, was $571,831, a decrease of $2,986,332, or 84% from a net loss of $3,558,163 recognized in the comparative period in 2023. Net loss for the six months ended June 30, 2024, was $2,411,969 a decrease of $4,605,875 or 66% from a net loss of $7,017,844 recognized in the comparative period in 2023. The decrease in net loss for the three months and six months ended June 30, 2024, is mainly attributed to higher gross profit, lower selling and administrative expenses, lower stock-based compensation, lower amortization, and higher gain on foreign exchange.

- Adjusted EBITDA[1], for the three months ended June 30, 2024, was $778,714, an improvement of $1,738,633, from an Adjusted EBITDA deficit of $959,919 recognized in the comparative period in 2023. Adjusted EBITDA[1], for the six months ended June 30, 2024, was $695,388, an increase of $2,723,071, from an Adjusted EBITDA deficit of $2,027,683 recognized in the comparative period in 2023. The improvement in Adjusted EBITDA for the three months and six months ended June 30, 2024, is primarily due to higher gross profit, reduced selling and administrative expenses mainly due to reduction in IT related costs as a result of system integrations, lower professional service fees and lower headcount related costs due to organizational restructuring.

[1] Adjusted EBITDA is earnings before stock-based compensation, depreciation, amortization, interest expense, accretion and other financing costs, loss or gain on revaluation RSUs, loss or gain on revaluation of derivative warrant liability, restructuring costs, other income, foreign exchange loss, and current and deferred income tax expense (recovery), is a non-IFRS measure. Please refer to the section entitled "Non-IFRS Measures."

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Results of Operations

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

The following table sets forth a summary of our results of operations for the three months and six months ended June 30, 2024, and 2023:

Unaudited

	Three months ended June 30		Period over Period Change		Six months ended June 30		Period over Period Change	
	2024	**2023**	**$**	**%**	**2024**	**2023**	**$**	**%**
Revenue	11,575,614	10,518,893	1,056,721	10	21,497,287	20,571,464	925,823	5
Cost of sales	6,312,797	5,884,012	428,785	7	11,841,912	11,508,626	333,286	3
Gross profit	5,262,817	4,634,881	627,936	14	9,655,375	9,062,838	592,537	7
Gross profit %	45.5%	44.1%			44.9%	44.1%		
Expenses								
Selling and administrative expenses	4,328,687	5,405,644	(1,076,957)	(20)	8,639,461	10,766,945	(2,127,484)	(20)
Research and development expenses	155,416	189,156	(33,740)	(18)	320,526	333,965	(13,439)	(4)
Gain on contingent consideration	-	-	-	-	-	(10,389)	10,389	100
Stock-based compensation	111,283	504,835	(393,552)	(78)	139,816	838,127	(698,311)	(83)
Depreciation	194,237	183,396	10,841	6	389,221	409,555	(20,334)	(5)
Amortization	813,889	1,305,671	(491,782)	(38)	1,620,346	2,435,974	(815,628)	(33)
Interest expense	405,965	319,256	86,709	27	794,889	653,092	141,797	22
Accretion and other financing costs	425,216	240,570	184,646	77	752,094	404,286	347,808	86
Gain on revaluation of RSUs	(18,534)	(63,042)	44,508	71	(47,311)	(119,988)	72,677	61
Loss (Gain) on revaluation of the derivative warrant liability	7,479	(24,238)	31,717	131	(49,686)	134,514	(184,200)	(137)
Restructuring Costs	5,874	29,454	(23,580)	(80)	(3,820)	56,866	(60,686)	(107)
Impairment of intangible assets	-	-	-	-	-	157,464	(157,464)	(100)
Other income	(10,208)	(4,313)	(5,895)	(137)	(21,413)	(9,407)	(12,006)	(128)
Foreign exchange (gain) loss	(590,719)	409,270	(999,989)	(244)	(487,886)	646,288	(1,134,174)	(175)
Loss before income taxes	(565,768)	(3,860,778)	3,295,010	85	(2,390,862)	(7,634,454)	5,243,592	69
Current income tax recovery (expense)	(6,063)	47,453	(53,516)	(113)	(21,107)	40,091	(61,198)	(153)
Deferred income tax recovery (expense)	-	255,162	(255,162)	(100)	-	576,519	(576,519)	(100)
Income tax recovery (expense)	(6,063)	302,615	(308,678)	(102)	(21,107)	616,610	(637,717)	(103)
Net Loss	**(571,831)**	**(3,558,163)**	**2,986,332**	**84**	**(2,411,969)**	**(7,017,844)**	**4,605,875**	**66**
Adjusted EBITDA (1)	**778,714**	**(959,919)**	**1,738,633**	**181**	**695,388**	**(2,027,683)**	**2,723,071**	**134**
Weighted average number of common shares outstanding								
Basic	51,348,578	34,804,004			48,065,488	34,693,176		
Diluted	51,348,578	34,804,004			48,065,488	34,693,176		
Net income (loss) per share								
Basic	**(0.01)**	**(0.10)**			**(0.05)**	**(0.20)**		
Diluted	**(0.01)**	**(0.10)**			**(0.05)**	**(0.20)**		

[1] Adjusted EBITDA is earnings before stock-based compensation, depreciation, amortization, interest expense, accretion and other financing costs, loss (gain) on revaluation of options, RSUs, and derivative warrant liability, restructuring costs, impairment of property and equipment, impairment of intangibles assets, other income, foreign exchange loss, and current and deferred income tax expense (recovery), is a non-IFRS measure. Please refer to the section entitled "Non-IFRS Measures."

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Comparison of the three months and six months ended June 30, 2024, and 2023

Revenue

Total revenue for the three months ended June 30, 2024, was $11,575,614, an increase of $1,056,721, or 10%, from $10,518,893 recognized in the comparative period in 2023. Total revenue for the six months ended June 30, 2024, was $21,497,287, an increase of $925,823, or 5%, from $20,571,464 recognized in the comparative period in 2023. The increase in revenue for the three months and six months ended June 30, 2024, was primarily due to higher transcription volume from Australia and U.S. as well as higher technology sales. Excluding the impact of foreign exchange, we would have reported positive revenue growth of 11% over comparative period 2023 for the three months ended June 30, 2024 and 6% for the six months ended June 30, 2024.

Cost of Sales

Cost of Sales for the three months ended June 30, 2024, increased by $428,785, or 7%, to $6,312,797, from $5,884,012 for the comparative period in 2023. Cost of Sales for the six months ended June 30, 2024, increased by $333,286, or 3%, to $11,841,912, from $11,508,626 for the comparative period in 2023. The increase in Cost of Sales for the three months and six months ended June 30, 2024, is primarily due to higher transaction volume than comparative period 2023.

Gross Profit

Gross Profit for the three months ended June 30, 2024, increased by $627,936 or 14%, to $5,262,817, from $4,634,881, for the comparative period in 2023. Gross Profit for the three months ended June 30, 2024, represented 45.5% of revenue versus 44.1% of revenue in the comparative period in 2023. Gross Profit for the six months ended June 30, 2024, increased by $592,537 or 7%, to $9,655,375, from $9,062,838, for the comparative period in 2023. Gross Profit for the six months ended June 30, 2024, represented 44.9% of revenue versus 44.1% of revenue in the comparative period in 2023. The increase in Gross Profit for the three months and six months ended June 30, 2024, is primarily due to higher revenue than comparative period 2023. The increase is Gross Profit % for the three and six months ended June 30, 2024 is a result of higher gross margins earned for certain Transcription contracts and higher Technology revenues which earns a higher gross margin.

Selling and Administrative Expenses

Selling and Administrative Expenses for the three months ended June 30, 2024, decreased by $1,076,957, or 20%, to $4,328,687, from $5,405,644, for the comparative period in 2023.

Selling and Administrative Expenses for the six months ended June 30, 2024 decreased by $2,127,484, or 20%, to $8,639,461, from $10,766,945, for the comparative period in 2023.

The decrease for the three and six months ended June 30, 2024, is primarily due to a decrease in headcount related costs due to organizational restructuring, lower professional service fees and reduction in IT related costs as a result of system integrations.

Research and Development Expenses

Research and Development Expenses for the three months ended June 30, 2024, decreased by $33,740, or 18%, to $155,416, from $189,156, for the comparative period in 2023.

Research and Development Expenses for the six months ended June 30, 2024, decreased by $13,439, or 4%, to $320,526, from $333,965, for the comparative period in 2023.

The decrease in Research and Development Expenses for the three and six months ended June 30, 2024 is due to decrease in headcount related costs.

Gain on Contingent Consideration

For the six months ended June 30, 2024, Contingent Consideration decreased by $10,389, from a gain of $10,389 recognized in the comparative period in 2023 to nil. For the six months ended June 30, 2024, there was no contingent consideration as the previous earnouts were paid in full in 2023.

Stock-Based Compensation

For the three months ended June 30, 2024, Stock-based Compensation decreased by $393,552 to $111,283 from $504,835, recognized in the same period of 2023. The decrease is due to lower number of RSUs issued in comparison to the comparative period in 2023 and a lower fair value due to decline in stock price.

For the six months ended June 30, 2024, Stock Based Compensation decreased by $698,311 to $139,816 from $838,127, recognized in the same period of 2023. The decrease is due to lower number of RSUs issued in comparison to the comparative period in 2023 and a lower fair value due to decline in stock price. In addition, Q1 2023 included approximately $150,000 of stock-based compensation related to cancellation of options by certain employees and directors of the Company during the three months ending June 30, 2023.

500,000 RSUs were granted for the three and six months ended June 30, 2024 compared to 1,394,000 RSUs for the three and six months ended June 30, 2024.

Depreciation

For the three months ended June 30, 2024, Depreciation increased by $10,841, to $194,237 from $183,396 recognized in the comparative period in 2023. The increase in deprecation is due to foreign exchange translation on Australian denominated fixed assets which were higher due to strengthening Australian dollar in comparison to US dollar.

For the six months ended June 30, 2024, Depreciation decreased by $20,334, to $389,221 from $409,555 recognized in the comparative period in 2023. The decrease in deprecation is due to foreign exchange translation on Australian denominated fixed assets which were higher due to weakening Australian dollar in comparison to US dollar.

Amortization

For the three months ended June 30, 2024, Amortization decreased by $491,782, to $813,889, from $1,305,671 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Amortization decreased by $815,628, to $1,620,346, from $2,435,974 recognized in the comparative period in 2023. The decrease in amortization for the three and six months ended June 30, 2024, is mainly attributable to lower amortization of intangible assets than comparative period 2023 due to accelerated amortization of intangible brand assets which were no longer in use. Also, certain Customer Relationship Intangible Assets were fully amortized in Q4 2023 resulting in no amortization in 2024.

Interest Expense

For the three months ended June 30, 2024, Interest Expense increased by $86,709 to $405,965, from $319,256 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Interest Expense increased by $141,797 to $794,889, from $653,092 recognized in the comparative period in 2023. The increase in interest expense for the three and six months ended June 30, 2024, is due to higher debt outstanding and at higher interest rate paid on the Company's secured debt facility.

Accretion and Other Financing Costs

For the three months ended June 30, 2024, Accretion and Other Financing Costs increased by $184,646 to $425,216 from $240,570 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Accretion and Other Financing costs increased by $347,808, to $752,094, from $404,286 recognized in the comparative period in 2023. The increase in accretion and other financing costs for the three and six months ended June 30, 2024, is due to higher debt outstanding and accrued interest on the Company's secured debt facility and included $57,765 to account for the previously accrued $375,000 amendment fee that was settle in the issuance of 2,175,142 warrants relating to Beedie credit agreement, resulting in a loss that was recorded as accretion and other financing costs.

Gain on Revaluation of RSUs

For the three months ended June 30, 2024, Gain on Revaluation of RSUs decreased by $44,508 to $18,534, from $63,042 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Gain of revaluation of RSUs decreased $72,677 to $47,311 from $119,988 recognized in the comparative period in 2023. The decrease in gain on revaluation of RSUs for the three and six months ended June 30, 2024 is due to a lower percentage increase on the Company's stock price compared to the comparable period.

Loss (Gain) on Revaluation of Derivative Warrant Liability

For the three months ended June 30, 2024, Loss on Revaluation of Derivative Warrant Liability increased by $31,717. Revaluation of Derivative Warrant Liability was a loss of $7,479 compared to a gain of $24,238 for the three months ended June 30, 2023, the loss was due to an increase in share price for the three months ended June 30, 2024 compared to a decrease in share price for the three months ended June 30, 2023.

For the six months ended June 30, 2024, Gain of Revaluation of Derivative Warrant Liability increased by $184,200. Revaluation of Derivative Warrant Liability was a gain of $49,686 compared to a loss of $134,514 for the six months ended June 30, 2023, the gain was due to a decrease in share price for the six months ended June 30, 2024 compared to a significant increase in share price for the six months ended June 30, 2023.

Restructuring Costs

For the three months ended June 30, 2024, Restructuring Costs decreased by $23,580, to $5,874, from $29,454 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Restructuring Costs decreased by $60,686, to negative $3,820, from $56,866 recognized in the comparative period in 2023. The decrease in Restructuring Costs for the three and six months ended June 30, 2024, is due to lower severance costs from the Company's restructuring plan.

Impairment of Intangible Assets

For the six months ended June 30, 2024, Impairment of Intangible Assets decreased by $157,464, to nil, from $157,464 recognized in the comparative period in 2023. The impairment of intangible assets related to a project that has been discontinued in order to focus resources on other development projects such as NetScribe for Australia court customers.

Other Income

For the three months ended June 30, 2024, Other Income increased by $5,895, to $10,208, from $4,313 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Other Income increased by $12,006, to $21,413, from $9,407 recognized in the comparative period in 2023. The increase in Other Income for the three and six months ended June 30, 2024, is due to higher interest earned on term deposits.

Foreign Exchange (Gain) Loss

Foreign exchange gain and losses are primarily related to the unrealized foreign translation gains and losses of certain US Dollar "USD", Australia Dollar "AUD" and British Pound Sterling "GBP" denominated working capital balances to Canadian Dollar "CAD" and USD denominated working capital balances to AUD. For the three months ended June 30, 2024, Foreign Exchange Gain increased by $999,989, to a gain of $590,719, from a foreign exchange loss of $409,270 recognized in the comparative period in 2023. For the six months ended June 30, 2024, Foreign Exchange Gain increased by $1,134,174, to a gain of $487,886, from a foreign exchange loss of $646,288 recognized in the comparative period in 2023. The gain/loss on foreign exchange for the three and six months ended June 30, 2024 is due to fluctuations in the foreign exchange rates.

Our businesses are organized geographically so many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. Foreign exchange gain and losses are primarily related to the unrealized foreign translation gains and losses of certain USD, AUD and GBP denominated working capital balances to CAD and USD denominated working capital balances to AUD.

Income Tax Recovery (Expense)

We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our effective tax rate on a consolidated basis is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses and other credits. For the three months ended June 30, 2024, Income Tax Recovery decreased by $308,678, to a tax expense of $6,063, from a tax recovery of $302,615 in the comparative period in 2023. The decrease for the three months ended June 30, 2024, is due to recognition of deferred tax assets in Q2 2023 versus none have been recognized in Q2 2024.

For the six months ended June 30, 2024, Income Tax Recovery, decreased by $637,717 to a tax expense of negative $21,107, from a tax recovery of $616,610 in the comparative period in 2023. The decrease for the six months ended June 30, 2024, is due to recognition of deferred tax assets for the six months ended June 30, 2023, versus none have been recognized for the six months ended June 30, 2024.

Net Loss and Earnings Per Share

Net loss for the three months ended June 30, 2024, was $571,831 compared to net loss of $3,558,163 for the same period in 2023. On a per weighted average share basis, this translated into a net loss per weighted average per share of $0.01 in the three months ended June 30, 2024, compared to a net loss per weighted average share of $0.10 for the comparative period in 2023.

Net loss for the six months ended June 30, 2024, was $2,411,969 compared to net loss of $7,017,844, for the same period in 2023. On a per weighted average share basis, this translated into a net loss per share of $0.05 in the six months ended June 30, 2024, compared to a net loss per weighted average share of $0.20 for the comparative period in 2023.

VIQ Solutions Inc.
Management's Discussion and Analysis of Financial Condition and
Results of Operations for the three months and six months ended June 30, 2024

Quarterly Results of Operations

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended June 30, 2024. Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period to period comparisons should not be relied upon as an indication of the Company's future performance.

	(unaudited)							
	Jun-24	**Mar-24**	**Dec-23**	**Sep-23**	**Jun-23**	**Mar-23**	**Dec-22**	**Sep-22**
Revenue	11,575,614	9,921,673	10,349,733	10,102,827	10,518,893	10,052,571	10,181,580	11,785,713
Net Loss	(571,831)	(1,840,138)	(2,934,336)	(4,379,016)	(3,558,163)	(3,459,681)	(2,168,022)	(1,329,940)
Adjusted EBITDA [(1)]	778,714	(83,326)	(655,138)	(1,350,032)	(959,919)	(1,067,764)	(1,196,294)	(559,481)
Weighted average number of shares outstanding:								
Basic	51,348,578	44,782,398	40,882,770	38,804,967	34,804,004	34,649,697	34,003,334	32,749,800
Diluted	51,348,578	44,782,398	40,882,770	38,804,967	34,804,004	34,649,697	34,003,334	32,749,800
Net Loss per share:								
Basic	(0.01)	(0.04)	(0.07)	(0.11)	(0.10)	(0.10)	(0.06)	(0.04)
Diluted	(0.01)	(0.04)	(0.07)	(0.11)	(0.10)	(0.10)	(0.06)	(0.04)

[1] Adjusted EBITDA is earnings before stock-based compensation, depreciation, amortization, interest expense, accretion and other financing costs, loss (gain) on revaluation of options, RSUs, and derivative warrant liability, restructuring costs, impairment of property and equipment, impairment of intangibles assets, other income, foreign exchange loss, and current and deferred income tax expense (recovery), is a non-IFRS measure. Please refer to the section entitled "Non-IFRS Measures."

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

Key Operating Metrics – Non-IFRS Measures

Adjusted EBITDA

Measure Definition:

To evaluate the Company's operating performance as a complement to results provided in accordance with IFRS, the term "Adjusted EBITDA", as defined by management, refers to net income (loss) before stock-based compensation, depreciation, amortization, interest expense, accretion and other financing costs, loss on extinguishment /modification of debt, gain on revaluation of options, gain on revaluation of RSUs, gain on revaluation of derivative warrant liability, restructuring costs, impairment of intangibles, business acquisition costs, other expense (income), foreign exchange (gain) loss, current and deferred income tax expense (recovery). We believe that the items excluded from Adjusted EBITDA are not connected to and do not represent the recurring operating performance of the Company. "EBITDA" is a non-IFRS financial measure and is not a standardized financial measure under the financial reporting framework used to prepare the financial statements of the Company and accordingly might not be comparable to similar financial measures disclosed by other issuers. To evaluate the Company's operating performance as a complement to results provided in accordance with IFRS, the term "EBITDA", as defined by management, refers to earnings before depreciation, amortization, interest expense, current and deferred income tax expense (recovery).

The Corporation believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate its operating performance. We believe that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed, taxed and expenses related to stock-based compensation, depreciation, amortization, restructuring costs, acquisition, other expense (income), and foreign exchange (gain) loss. Accordingly, we believe that this measure may also be useful to investors in enhancing their understanding of the Company's operating performance.

The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income (loss) as determined in accordance with IFRS. These non-IFRS measures should be read in conjunction with the financial statements of the Company.

The following is a reconciliation of Net Loss the most directly comparable IFRS measure to Adjusted EBITDA, for the three months and six months ended June 30, 2024, and 2023:

	Three months ended June 30		Six months ended June 30	
(Unaudited)	**2024**	**2023**	**2024**	**2023**
Net Loss	**(571,831)**	**(3,558,163)**	**(2,411,969)**	**(7,017,844)**
Add:				
Depreciation	194,237	183,396	389,221	409,555
Amortization	813,889	1,305,671	1,620,346	2,435,974
Interest expense	405,965	319,256	794,889	653,092
Current income tax (recovery) expense	6,063	(47,453)	21,107	(40,091)
Deferred income tax recovery	-	(255,162)	-	(576,519)
EBITDA	**848,323**	**(2,052,455)**	**413,594**	**(4,135,833)**
Accretion and other financing costs	425,216	240,570	752,094	404,286
Gain on revaluation of RSUs	(18,534)	(63,042)	(47,311)	(119,988)
Loss (Gain) on revaluation of the derivative warrant liability	7,479	(24,238)	(49,686)	134,514
Impairment of intangible assets	-	-	-	157,464
Restructuring costs	5,874	29,454	(3,820)	56,866
Other expense (income)	(10,208)	(4,313)	(21,413)	(9,407)
Stock-based compensation	111,283	504,835	139,816	838,127
Foreign exchange (gain) loss	(590,719)	409,270	(487,886)	646,288
Adjusted EBITDA	**778,714**	**(959,919)**	**695,388**	**(2,027,683)**

Bookings

Measure Definition: We calculate "Bookings" for a given period as the estimated contract value (for services tied to volume) of our recurring client contracts entered into during the period from (i) new clients and (ii) net upgrades by existing clients within the same workload, plus the actual (not annualized) estimated value of professional services consulting, advisory or project-based orders received, software licenses, subscriptions, SaaS, and hardware during the period.

Recurring client contracts are any contracts entered into on a multi-year or month-to-month basis, but excluding any professional services contracts for consulting, advisory or project-based work, software license and hardware.

We use Bookings to measure the amount of new business generated in a period, which we believe is an important indicator of new client acquisition and our ability to cross-sell new services to existing clients. Bookings are also used by management as a factor in determining performance-based compensation for our sales force. While we believe Bookings, in combination with other metrics, are an indicator of our near-term future revenue opportunity, it is not intended to be used as a projection of future revenue. Booking information is a non-IFRS measure, which involves judgments, estimates and assumptions, which does not have a standard industry definition. Our calculation of Bookings may differ from similarly titled metrics presented by other companies.

While we continue to acquire new clients, we also aim to deepen relationships with these clients through high-margin technology services and software bookings. In addition, we are investing in initiatives to drive sales productivity improvements.

(unaudited)

	Q2 2024	Q1 2024	Q2 2023
Bookings	$1,680,274	$810,908	$1,532,764

In Q2 2024, bookings were higher compared to both Q1 2024 and Q2 2023, primarily driven by expansion of services for one of our major insurance client.

Gross Margin for Technology Services

Measure Definition: Gross Margin for Technology Services as reported.

(unaudited)

	Q2 2024	Q1 2024	Q2 2023
Technology Services Revenue	$10,356,069	$8,914,632	$9,409,452
Cost of Sales	$5,986,301	$5,318,889	$5,586,466
Gross Margin	$4,369,768	$3,595,743	$3,822,986
Gross Margin %	**42.2%**	**40.3%**	**40.6%**

In Q2 2024, the gross margin percentage for Technology Services increased compared to both Q1 2024 and Q2 2023. This increase can be attributed to enhanced operational efficiency and productivity, largely driven by the initial benefits from Netscribe implementations and improvements to specific contracts during the quarter.

Gross Margin for Technology and related revenue

Measure Definition: Gross margin for technology and related revenue as reported.

(unaudited)

	Q2 2024	Q1 2024	Q2 2023
Technology Revenue	$1,219,545	$1,007,041	$1,109,441
Cost of Sales	$326,496	$210,226	$297,546
Gross Margin	$893,049	$796,815	$811,895
Gross Margin %	**73.2%**	**79.1%**	**73.2%**

In Q2 2024, the gross margin percentage for Technology and related revenue decreased compared to Q1 2024, primarily due to a decline in one-time sales of VIQ-developed software, which traditionally have higher margins than third-party software sales. The gross margin percentage for Technology and related revenue remained consistent with Q2 2023.

Liquidity

As of June 30, 2024, we held cash of $2,101,716 as compared to $1,621,778 as of December 31, 2023.

On February 27, 2024, the Company closed a non-brokered private placement. Under the offering, the Company sold 10,239,000 common shares of the Company at a price per common share of $0.117 for gross proceeds of $1,197,278. The Company utilized the net proceeds from the offering for working capital and general corporate purposes.

In 2023, the Company entered into a secured debt facility ("Note Payable" with Beedie Investments Ltd. ("Beedie"), the Note Payable outstanding is $15,000,000 at June 30, 2024. The Note Payable is subject to 9.5% cash interest payable monthly plus 5% paid in kind interest accrued monthly and added to the outstanding principal amount of the Note Payable and to be repaid on January 16, 2027

On February 23, 2024, the Company signed a waiver agreement which resulted in the cash interest being deferred in the amount of $243,491. The amount was based on the fixed 9.5% per annum calculated on the outstanding principal amount of the loan owing for the months of January 2024 and February 2024 and was added to the principal amount as paid in kind interest to the Note Payable and will be subject to 14.5% interest per annum. The amount is to be repaid on January 13, 2027. The Company also amended the Note Payable agreement which amended the minimum balance of unrestricted cash and cash equivalents covenant up to June 30, 2024.

On June 5, 2024, the Company's shareholders approved the issuance of 2,175,142 common share purchase warrants, as part of a credit agreement with Beedie. These warrants were issued on June 19, 2024, and replaced the $375,000 amendment fee that was originally due upon the maturity or repayment of the Note Payable.

The Company was not in compliance with the maximum total leverage covenant for the month of June 2024. On July 25, 2024, the Company obtained a waiver from Beedie for the non compliance of the Maximum Total Secured Debt Leverage financial covenant for the month of June 2024. As a result, the principal amount of Note Payable and paid in kind interest owing remains due to be repaid in January 2027.

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

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash provided by (used in) operating activities	732,869	404,987	846,263	(457,209)
Cash used in investing activities	(362,849)	(570,133)	(701,680)	(1,168,063)
Cash provided by (used in) financing activities	(519,129)	(544,249)	369,756	1,783,457
Net increase (decrease) in cash for the year	(149,109)	(709,395)	514,339	158,185
Cash, beginning of period	2,221,509	2,513,528	1,621,778	1,657,571
Effect of foreign exchange	29,316	(11,758)	(34,401)	(23,381)
Cash, end of period	**2,101,716**	**1,792,375**	**2,101,716**	**1,792,375**

Cash provided by/used in operating activities

Cash provided by operating activities for the three months ended June 30, 2024, was $732,869. This resulted from $571,831 in net loss plus $1,267,876 of non-cash adjustments and $36,824 attributable to movements in non-cash working capital.

Cash used by operating activities for the six months ended June 30, 2024, was $846,263. This resulted from $2,411,969 in net loss plus $3,146,989 of non-cash adjustments and $111,243 attributable to movements in non-cash working capital.

Cash used in investing activities

Cash used in investing activities for the three months ended June 30, 2024, was $362,849 which consisted of development costs related to internally generated intangible assets of $362,849.

Cash used in investing activities for the six months ended June 30, 2024, was $701,680 which consisted of development costs related to internally generated intangible assets of $701,680.

Cash provided by (used in) financing activities

Cash used by Financing Activities for the three months ended June 30, 2024, was $519,129, which consisted of repayment of lease obligations of $126,453, payment of interest on lease obligations of $13,596, and payment of interest on debt of $379,080.

Cash provided by Financing Activities for the six months ended June 30, 2024, was $369,756, which consisted of $1,173,330 provided by issuance of share capital net of issuance costs offset by repayment of debt of $20,000, repayment of lease obligations of $244,728, payment of interest on lease obligations of $31,088, and payment of interest on debt of $507,758.

Going concern uncertainty

The Company's consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. As of June 30, 2024, the Company has cash and cash equivalents of $2,101,716. The Company has incurred recurring losses has not yet achieved profitable operations, has a deficit of $80,468,120 since its inception. Financial waivers were obtained in relation to Beedie Note Payable for the three months ended June 30, 2024 and was obtained on July 25, 2024. These matters, when considered in the aggregate, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern for at least 12 months from June 30, 2024. In view of these matters, continuation as a going concern is dependent upon the continued operations of the Company, which will be determined by the Company's ability to meet its financial requirements, including financial covenants within its debt agreements and its ability to raise additional capital.

The Company is evaluating several different strategies and intends to pursue actions that are expected to increase its liquidity position, including, but not limited to, pursuing additional actions under the Company's cost-savings plan, and seeking additional financing from both the public and private markets through the issuance of equity and/or debt securities. The Company's management cannot provide assurances that the Company will be successful in accomplishing any of its proposed financing plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur within the next 12 months which could increase the Company's need to raise additional capital on an immediate basis, which may not be available to the Company.

In assessing whether the going concern assumption was appropriate, management identified when events or conditions indicate that material uncertainty may cast significant doubt about the Company's ability to continue as a going concern.

Material uncertainty about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the balance sheet date. When the Company identifies conditions or events that raise potential for material uncertainty about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential material uncertainty.

The Company's ability to continue as a going concern for the next twelve months involves significant judgment and is dependent on its ability to improve its sales and generate positive cash flow from operations and successful cost reduction from workforce optimization.

Debt Covenants

Under the secured debt facility with Beedie, the Company is required to comply with financial covenants regarding (i) a minimum balance of unrestricted cash and cash equivalents (ii) minimum adjusted monthly EBITDA starting May 2023 and (iii) maximum total secured debt leverage ratio.

The Company was in compliance with the cash and cash equivalents and minimum monthly adjusted EBITDA at June 30, 2024.

On July 25, 2024, the Company obtained a waiver from Beedie for the non compliance of the Maximum Total Secured Debt Leverage financial covenant for the month of June 2024. As a result, the principal amount of Note Payable and paid in kind interest owing remains due to be repaid in January 2027.

Contractual Obligations

The following table summarizes our contractual obligations as at June 30, 2024, including commitments relating to leasing contracts:

(Unaudited)	2024	2025	2026	2027	Total
Trade and other payables	$ 6,320,976	$ -	$ -	$ -	$ 6,320,976
Lease obligations	272,761	233,333	–	–	506,094
Beedie Investments Ltd. *	–	–	–	18,326,168	18,326,168
Income taxes payable	61,136	–	–	–	61,136
Total	**$ 6,654,873**	**$ 233,333**	**$ -**	**$ 18,326,168**	**$ 25,214,374**

* The Company obtained a waiver on July 25, 2024 from Beedie for the non compliance of the Maximum Total Secured Debt Leverage financial covenant for the month of June 2024. As a result, the principal amount of Note Payable and paid in kind interest owing remains due to be repaid in January 2027.

Capital Resources

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as to develop new product offerings to maintain our competitive advantage, pursue accretive acquisitions and provide sufficient resources to meet day-to-day operating requirements, while managing financial risk. We intend to use our operating income and funds on hand to meet funding requirements for the development and commercialization of our technology products and services based on anticipated market demand and working capital purposes. Our actual funding requirements will vary depending on a variety of factors, including our success in executing our business plan, the progress of our research and development efforts, our commercial sales, and our ability to manage our working capital requirements.

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

Capital Allocation

A significant component of our strategy is to effectively and efficiently allocate capital between opportunities that generate the highest return on our capital with the goal over time to maximize shareholder equity.

The Company's capital allocation is centered on generating organic growth, investment in technologies, mergers and acquisitions, and balance sheet deleveraging. VIQ's focus is on closing and integrating strategic and accretive acquisitions, continuing to grow and drive market share and achieve consolidation efficiencies while maturing its AI engines through technology service volumes.

Paying out dividends, or buying back stock, are not anticipated as being part of our capital allocation strategy for the immediate future. Our goal with capital allocation is to increase the earning power of the Company and reinvest the free cash flow of the business to generate more cash.

Other Commitments

Other commitments include operating leases for facilities. The Company has no other commitments.

Contingent Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements.

Transactions Between Related Parties

On February 27, 2024, the Company closed a non-brokered private placement. Under the offering, the Company sold 10,239,000 common shares of the Company at a price per common share of $0.117 for gross proceeds of $1,197,278 which was recorded in Capital stock. $23,948 in transaction costs was recognized and recorded as an offset to Capital stock. The issuance included 3,000,000 common shares made to Beedie, a significant shareholder and constitutes a related party transaction.

Material Accounting Policy Information and Estimates

General

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Going concern - In the preparation of consolidated financial statements, management is required to identify when events or conditions indicate that material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern exists. Material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will

not be able to meet its obligations as they become due for a period of at least, but not limited to, 12 months from the consolidated statement of financial position. When the Company identifies conditions or events that raise potential for material uncertainty that may cast significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Our other material accounting policy information are fully described in Note 3 to our financial statements for the years ended December 31, 2023, and 2022 which are available on SEDAR (www.sedar.com). Certain accounting policies are particularly important to the reporting of our financial position and results of operations and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. We believe that there have been no significant changes in our critical accounting estimates for the three months ended June 30, 2024, from those presented in our annual financial statements for the years ended December 31, 2023, and 2022.

New Accounting Pronouncements

We adopted the following accounting amendments that were effective for our annual consolidated financial statements commencing January 1, 2024.

- IAS 1 - Presentation of Financial Statements
- IFRS 16 Leases – Lease Liability in a Sale and Leaseback
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instrument Supplier Finance Arrangements

The adoption of these standards did not have a material impact to our financial results and are not expected to have a material impact in the future.

The International Accounting Standards Boards has issued IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements) effective on January 1, 2027, with an aim to improve how information is communicated in the financial statements, with a focus on information in the statement of income. The Company is assessing the impacts IFRS 18 will have on its consolidated financial statements.

Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the CEO and the CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure, including to ensure that information required to be disclosed by the Company in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Management, under the oversight of the CEO and CFO, has evaluated the design and effectiveness of the Company's disclosure controls and procedures as of June 30, 2024. Based on this evaluation, the CEO and the CFO concluded that, as of June 30, 2024, the Company's disclosure controls and procedures (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings were ineffective as a result of material weaknesses identified in the Company's internal control over financial reporting, which is further described below.

The Company is no longer subject to these Exchange Act requirements effective January 5, 2024, a Form 15 "Certification and Notice of Termination of Registration Under Section 12(g) of the Securities Exchange Act of 1934 or Suspension of Duty to File Reports Under Sections 13 and 15(d) of the Securities Exchange Act of 1934.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information

relating to the Company is made known to us by others, particularly during the period in which the annual filings are being prepared and of achieving their objectives, and the CEO and CFO do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Notwithstanding the material weaknesses, management has concluded that the Company's consolidated financial statements for the three months ended June 30, 2024, present fairly, in all material respects, the Company's financial position, statement of loss and comprehensive loss, changes in shareholders' equity and cash flows in accordance with IFRS.

Internal Controls over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute assurance, with respect to reporting financial information. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

An evaluation of the design and effectiveness of the Company's internal controls over financial reporting was carried out by management, under the supervision of the CEO and CFO. In making this evaluation, the CEO and CFO used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (2013). Based on this evaluation, the CEO and CFO have concluded that the Company's internal control over financial reporting was ineffective as of June 30, 2024, due to the material weaknesses described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses that our management identified related to the following:

- the Company did not have sufficient resources, including contractors, in place throughout the reporting period with the appropriate training and knowledge of internal controls to monitor the design, implementation and operating effectiveness of internal control over financial reporting;
- the Company reviews controls in various financial reporting processes did not operate with sufficient precision, particularly with respect to the determination of the appropriate period in which to recognize revenue and expenses;
- the Company did not maintain adequate review controls to ensure that complex accounting areas such as business combinations, impairment of non-financial assets, financial instruments, revenue recognition and accounting for income tax provisions were appropriately recorded in accordance with IFRS; and
- the Company did not effectively design and maintain appropriate segregation of duties and controls over the effective preparation, review and approval, and associated documentation of journal entries.

These material weaknesses resulted in material misstatements, which were corrected prior to the release of the consolidated financial statements for the year ended December 31, 2023.

Remediation

We intend to implement a remediation plan that involves a third-party software solution to formalize the documentation and evidence of our review and approval of subjective and higher risk journal entries in our financial reporting system including implementing improved process over cut-off of transactions. We will implement more formalized documentation and evidence of review over complex accounting transactions. The plan will include the involvement of management and sufficient training of all relevant personnel. We will take the measures necessary to address the material weaknesses, which may require significant management attention, and our efforts may not prove to be successful in remediating the material weaknesses and do not guarantee that we will not suffer additional material weaknesses and/or significant deficiencies in the future.

The CEO and CFO do not expect that internal controls over financial reporting will prevent all misstatements. The design of a system of internal controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that the design will succeed in achieving the stated goals under all potential future conditions.

Except for the material weaknesses described above, there were no changes in the Company's Internal Control over Financial Reporting that occurred during the period ended June 30, 2024, that has materially affected or reasonably likely to materially affect the Company's Internal Control over Financial Reporting.

Risk Factors

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our common shares (the "Common Shares") to decline. If any of the noted risks actually occur, our business may be harmed, and the financial condition and results of operation may suffer significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.

Disclosure of Outstanding Share Data

The Common Share trade on the Toronto Stock Exchange under the symbol "VQS." The Company is authorized to issue an unlimited number of Common Shares. As at August 12, 2024 there were:

(i) 51,632,171 Common Shares issued and outstanding

(ii) 12,500 stock options outstanding with a weighted average exercise price per Common Share of $2.20 CAD expiring in September 2024 under the Company's legacy stock option plan

(iii) 684,829 stock options outstanding with a weighted average exercise price per Common Share of $1.02 CAD expiring 2031 and 2032 under the Omnibus Equity Incentive Plan

(iv) 33,333 deferred share units outstanding with an average exercise price per Common Share of $1.29 CAD with no expiry date

(v) 3,258,336 RSUs outstanding expiring 2024, 2026, 2027, and 2031 and selective units with no expiry dates under the Omnibus Equity Incentive Plan.

(vi) 100,000 PSUs with no expiry dates.

(vii) Warrants to purchase 2,117,647 Common Shares at an exercise price of $5.00 USD expiring September 15, 2026.

(viii) Warrants to purchase 3,551,852 Common Shares at an exercise price of $1.39 USD expiring July 21, 2027.

(ix) 7,968,750 warrants to purchase Common Shares at an exercise price of $0.20 CAD expiring January 16, 2030.

(x) 497,423 warrants to purchase Common Shares at an exercise price of $0.20 CAD expiring July 25, 2030.

(xi) 123,365 warrants to purchase Common Shares at an exercise price of $0.20 CAD expiring November 10, 2030.

(xii) 2,175,142 warrants to purchase Common Shares at an exercise price of $0.20 CAD expiring June 19, 2031.

Diversity

Our success as a company continues to be made possible by our global workforce. We aim to attract, develop, and retain exceptional talent to meet the needs of our clients and create value for our shareholders. We understand that we have more to do to increase our overall representation to better reflect the world we live in. We believe that when people come from diverse backgrounds and have a variety of life experiences, they bring unique perspectives to the table. These perspectives increase innovation, creativity, and overall corporate performance.

In order to continue to produce our innovative technologies and technology services, it is crucial that we continue to attract and retain top talent. To facilitate talent attraction and retention, we strive to make VIQ a diverse and safe workplace, with opportunities for our employees in each region and functional area to grow and develop in their careers, supported by advancements and programs that build connections between our employees and their communities.

We believe that a diverse workforce is critical to our success, and we continue to focus on the hiring, retention and advancement of women and underrepresented populations. Our recent efforts have been focused in three areas: inspiring innovation through a diverse culture; expanding our efforts to recruit and hire world-class diverse talent; and identifying strategic partners to accelerate our diversity, equity and in the coming years inclusion ("DE&I") programs.

Under the leadership of the current management team and the Board of Directors, VIQ has worked to create an environment and culture that enables all employees to participate and thrive. We know that onboarding people with diverse backgrounds and skillsets is a key ingredient for innovation, which is why our recruitment processes are built around improving our ability to identify the best, most diverse candidate pools. We use gender-neutral language in job descriptions and commit to bringing a diverse slate of candidates to a diverse interview panel at all levels of the Company. VIQ has a variety of diversity-related data points that exemplify how our workforce looks like the world around us and thrives as a result of it.

As of June 30, 2024, VIQ Diversity Metrics were as follows:

- Global Employee Gender Diversification for all roles: 53% Women, 42% Men, 5% Non-binary
- Global Employee Gender Diversification for leadership roles: 52% Women, 48% Men
- Global Race and Ethnicity Representation for all roles: 72% White, 24% Asian, 2% Black and 2% Latino
- Geography where we work: 79% Australia, 8% United States, 2% Canada, 6% India, 1% Mexico, 2% United Kingdom and Philippines 2%
- Brick & Mortar: Five physical Offices in three Countries

Due to its global footprint, VIQ has come to appreciate that amazing perspectives are grown all around the world and that DE&I programs can be most powerful when they are localized to the individual experiences that resonate with people in the countries, cities, and communities where they live.