



VIQ Solutions Inc.

Third Quarter 2018 Condensed Interim Consolidated
Financial Statements and Results of Operations

(Expressed in United States dollars)



NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated 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 interim consolidated 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 interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

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

Signed "George Kempff"
George Kempff
Chief Financial Officer

November 28, 2018

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

	September 30, 2018	December 31, 2017
Assets	(unaudited)	
Current assets		
Cash	\$ 1,182,807	\$ 4,112,123
Trade and other receivables, net of allowance (note 4)	2,459,538	2,180,533
Inventories	70,416	71,083
Prepaid expenses and deposits	444,742	83,381
	4,157,503	6,447,120
Non-current assets		
Restricted cash	38,745	42,118
Property and equipment	130,448	173,299
Intangible assets	3,181,429	1,849,969
Goodwill	745,190	796,841
Deferred tax assets	408,822	438,167
Total assets	\$ 8,662,137	\$ 9,747,514
Liabilities		
Current liabilities		
Trade and other payables	\$ 1,246,795	\$ 1,182,919
Share appreciation rights plan obligations (note 5)	575,766	651,451
Provisions	447,271	498,096
Unearned revenue	573,769	405,563
Current portion of obligations under finance lease	40,947	40,239
	2,884,548	2,778,268
Non-current liabilities		
Deferred tax liability	86,590	88,270
Provisions	70,499	78,767
Obligations under finance lease	32,065	40,355
Total liabilities	3,073,702	2,985,660
Shareholders' Equity		
Capital stock (note 5)	17,466,823	17,426,645
Contributed surplus	2,916,845	2,715,610
Accumulated other comprehensive income	(63,966)	223,652
Deficit	(14,731,267)	(13,604,053)
	5,588,435	6,761,854
Total liabilities and shareholders' equity	\$ 8,662,137	\$ 9,747,514

Approved by the Board

Signed "Larry Taylor" Signed "Sebastien Paré"

Larry Taylor, Director Sebastien Paré, CEO and Director

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

VIQ Solutions Inc.

Interim Consolidated Statements of Income and Loss and Comprehensive Income and Loss

(Expressed in United States dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 3,055,320	\$ 3,227,680	\$ 9,352,446	\$ 9,321,463
Cost of sales	2,188,864	1,823,269	6,189,363	5,306,017
Gross profit	866,456	1,404,411	3,163,083	4,015,446
Expenses				
Selling and administrative expenses	1,237,344	940,262	3,698,046	2,714,354
Stock based compensation (note 6)	100,784	(39,847)	216,538	286,597
Research and development expenses	103,777	64,288	327,188	188,842
Depreciation and amortization	45,367	192,697	143,138	432,448
	1,487,272	1,157,400	4,384,910	3,622,241
Income (Loss) before undernoted items	(620,816)	247,011	(1,221,827)	393,205
Finance income (loss)				
Interest income	615	718	1,749	2,191
Interest expense	(2,730)	(1,716)	(6,663)	(4,903)
Other income	–	922	–	922
Foreign exchange gain (loss)	(65,928)	(130,146)	99,527	(182,218)
Net finance income (loss)	(68,043)	(130,222)	94,613	(184,008)
Net gain (loss) before income taxes	(688,859)	116,789	(1,127,214)	209,197
Income tax recovery	–	76	–	76
Net income (loss) for the period	\$ (688,859)	\$ 116,865	\$ (1,127,214)	\$ 209,273
Exchange differences on translating foreign operations	102,802	201,497	(287,618)	336,564
Comprehensive income (loss) for the period	\$ (586,057)	\$ 318,286	\$ (1,414,832)	\$ 545,837
Net income (loss) per share (note 7)				
Basic	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00
Weighted average number of common shares outstanding – basic (note 7)	161,433,649	141,187,681	161,321,716	139,889,802
Weighted average number of common shares outstanding – diluted (note 7)	161,433,649	150,097,497	161,321,716	147,513,281

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

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

	Capital stock		Contributed Surplus	Deficit	Accumulated other comprehensive income (loss)	Total Equity
	Number	Amount				
Balance at January 1, 2017	139,209,937	\$ 13,278,837	\$ 2,316,676	\$ (12,752,936)	\$ (113,856)	\$ 2,728,721
Comprehensive income for the period	–	–	–	209,273	336,564	545,837
Options exercised (note 5)	589,999	75,607	(28,472)	–	–	47,135
Warrants exercised (note 5)	4,852,398	722,596	(149,652)	–	–	572,944
Stock-based compensation (note 6)	–	–	183,688	–	–	183,688
Balance at September 30, 2017	144,652,334	\$ 14,077,040	\$ 2,322,240	\$ (12,543,663)	\$ 222,708	\$ 4,078,325
Comprehensive loss for the period	–	–	–	(1,060,390)	944	(1,059,446)
Options exercised (note 5)	–	–	–	–	–	–
Warrants exercised (note 5)	–	–	–	–	–	–
Private placement	16,373,446	3,349,605	294,486	–	–	3,644,091
Stock-based compensation (note 6)	–	–	98,884	–	–	98,884
Balance at December 31, 2017	161,025,780	\$ 17,426,645	\$ 2,715,610	\$ (13,604,053)	\$ 223,652	\$ 6,761,854
Comprehensive loss for the period	–	–	–	(1,127,214)	(287,618)	(1,414,832)
Options exercised (note 5)	410,499	40,178	(11,378)	–	–	28,800
Warrants exercised (note 5)	–	–	–	–	–	–
Private placement (note 5)	–	–	–	–	–	–
Stock-based compensation (note 6)	–	–	212,613	–	–	212,613
Balance at September 30, 2018	161,436,279	\$ 17,466,823	\$ 2,916,845	\$ (14,731,267)	\$ (63,966)	\$ 5,588,435

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

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

	Three months ended September		Nine Months Ended September	
	30,	30,	30,	30,
	2018	2017	2018	2017
Cash provided by (used in):				
Operating activities				
Net income (loss) for the period from operations	\$ (688,859)	\$ 116,865	\$ (1,127,214)	\$ 209,273
Items not affecting cash:				
Depreciation and amortization	45,367	192,697	143,138	432,448
Stock-based compensation (note 6)	100,784	(39,847)	216,538	286,597
Provisions	(4,956)	51,695	(8,268)	86,870
Deferred income tax benefit	9,505	(9,522)	27,665	(31,360)
Unrealized foreign exchange loss (gain)	13,251	(234,797)	(376,625)	(195,841)
Changes in non-cash operating working capital (note 8)	(45,470)	(311,657)	(369,666)	(1,425,110)
Cash used in operating activities	(570,378)	(234,566)	(1,494,432)	(637,123)
Investing activities				
Purchase of property and equipment, net	(25,599)	(15,359)	(40,543)	(136,396)
Purchase of intangibles	(541,906)	(323,394)	(1,331,460)	(929,853)
Change in restricted cash	887	(844)	3,373	(2,953)
Cash used in investing activities	(566,618)	(339,597)	(1,368,630)	(1,069,202)
Financing activities				
Options exercised	419	9,433	28,800	46,773
Warrants exercised	–	546,980	–	546,980
Finance lease advances	16,123	(7,667)	(7,582)	27,030
Cash provided by financing activities	16,542	548,746	21,218	620,783
Net decrease in cash during the period	(1,120,454)	(25,417)	(2,841,844)	(1,085,542)
Cash, beginning of period	2,252,500	918,659	4,112,123	1,929,333
Effect of exchange rate changes on cash	50,760	42,558	(87,472)	92,009
Cash, end of period	\$ 1,182,807	\$ 935,800	\$ 1,182,807	\$ 935,800

Supplemental disclosure (note 8)

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

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

1. Nature of Operations

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

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

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, 2017 and 2016.

These consolidated financial statements were approved by the Board of Directors on November 28, 2018.

(b) 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; Dataworx 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 and Spark & Cannon Pty - AUD. These consolidated financial statements are presented in USD.

Change in presentation currency

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

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

2. Basis of Preparation (continued)

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

The exchange rates used were as follows:

USD / CAD exchange rate	September 30, 2018	December 31, 2017	September 30, 2017
Closing at the reporting date	0.7739	0.7968	0.8013
Average rate for the period	0.7771	0.7706	0.7649

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, 2017 as these condensed interim consolidated financial statements follow the same accounting policies and methods of application, except as described below.

The changes in accounting policies will also be reflected in the Company's annual financial statements as at the end for the year ending December 31, 2018.

IFRS 15

Effective January 1, 2018, the Company adopted IFRS 15. The Company has adopted IFRS 15 utilizing the cumulative effect method applying to contracts that were not completed contracts at January 1, 2018. Under this method, the Company would recognize the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of deficit as at January 1, 2018 without restating the comparative information which continues to be reported under IAS 18 and IAS 11. The Company reviewed its sources of revenue and the contracts that were not completed at January 1, 2018 using the guidance found in IFRS 15 and determined there were no material changes to the timing and measurement of the Company's revenue in the reporting period, as compared to the provisions of the previous standard.

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

3. Significant Accounting Policies, Estimates and Judgments (continued)

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

The Company recognizes revenue when the transfer of control of the promised products or services has occurred to customers in exchange for consideration the Company expects to receive, net of discounts and taxes. Revenue from the sale of software products is recognized when the product is shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. Revenues from installation and training relating to the sale of software products are recognized as the services are performed. Software support and maintenance revenue is recognized over the term of the maintenance agreement. Revenues from recording and transcription services and information support are recognized as services are provided. Revenues from the Company's hosted software-as-a-service ("SaaS") applications are recognized as services are provided. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as unearned revenue.

The Company also enters into transactions that represent multiple-element arrangements, which may include any combination of software, equipment and services. These multiple-element arrangements are assessed to determine whether they can be sold separately in order to determine if they can be treated as more than one unit of accounting or element for the purpose of revenue recognition. When there are multiple elements or units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements on a relative fair value basis, as determined by reliable objective evidence of fair value. Objective evidence of fair value is based on the price charged when the elements are sold separately, which is in accordance with the Company's standard price list. If elements cannot be sold separately, revenue recognition is deferred until all elements have been delivered.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that such costs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer. The Company does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

Accounting standards and amendments issued but not yet applied

The International Accounting Standards Board ("IASB") has issued accounting standards which have not yet been adopted by the Company. The accounting standards are the same accounting standards issued but not yet applied as noted in the consolidated financial statements of the year ended December 31, 2017 except as noted above for IFRS 15. The Company does not expect to adopt these new and amended standards before their effective dates.

4. Trade and Other Receivables

	September 30, 2018	December 31, 2017
Trade accounts receivable	\$ 2,677,079	\$ 2,731,954
Less: Allowance for doubtful accounts	(217,541)	(551,421)
	\$ 2,459,538	\$ 2,180,533

5. Capital Stock

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

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

On December 15, 2016, the Company completed a private placement to extinguish high interest rate debt and to fund future growth initiatives over the next 18 months. The raise totalled \$1,552,697 (net of fees of \$11,271) for 9,883,329 common shares plus one-half warrant per common share. The exercise price for the warrants (in Canadian dollars) was \$0.26. The warrants expired on June 21, 2018. The warrants attached to the common shares were valued at \$230,856. None of these warrants were exercised during 2018 (2017 – 1,976,186).

On November 15 and 22, 2017, the Company completed a private placement to fund the development of the Company's artificial intelligence platform, aiAssist™. The raise totalled \$3,327,139 (net of fees of \$201,478) for 16,373,446 common shares plus one-half warrant per common share. The exercise price of the warrants (in Canadian dollars) is \$0.39. The warrants expire on May 15, 2019 and May 22, 2019 respectively. The warrants attached to the common shares were valued at \$294,486. The Company also granted 341,915 warrants to the broker at an exercise price (in Canadian dollars) of \$0.30 that expire on May 22, 2019. The broker warrants were valued at \$23,463.

As at September 30, 2018, there were 8,528,635 warrants outstanding (December 31, 2017 – 11,494,107).

As at September 30, 2018, common shares of the Company were reserved as follows:

	Price (in Canadian dollars)	Expiry Dates	Number
Options	\$0.05 – \$0.07	Jan 2019 – Dec 2019	845,529
	\$0.06 – \$0.065	Jan 2020 – Dec 2020	5,150,000
	\$0.105 – \$0.21	Jan 2021 – Dec 2021	2,016,668
	\$0.22 – \$0.32	Jan 2022 – Dec 2022	3,280,000
	\$0.145 - \$0.30	Jan 2023 – Dec 2023	1,575,000
			12,867,197
Deferred Share Units	\$0.06	N/A	1,999,998
Warrants	\$0.39	May 2019	8,186,720
	\$0.30	May 2019	341,915
			8,528,635
Total			23,395,830

Stock Option Plan

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

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

As at September 30, 2018, the Company had 10,123,862 options (December 31, 2017 – 8,804,363) that had vested with a weighted average exercise price (in Canadian dollars) of \$0.11 per share (December 31, 2017 – \$0.10).

5. Capital Stock (continued)

During the nine months ended September 30, 2018, the Company granted 1,575,000 stock options to directors, officers, employees, and contractors (2017 – 2,000,000).

The following information applies to stock options outstanding and exercisable at September 30, 2018:

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

Range of Exercise Prices (in Canadian dollars)	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (in Canadian dollars)	Options Exercisable	Weighted Average Exercise Price (in Canadian dollars)
\$0.05 – \$0.07	845,529	0.7 years	\$0.06	845,529	\$0.06
\$0.06 – \$0.065	5,150,000	1.9 years	\$0.06	5,150,000	\$0.06
\$0.105 – \$0.21	2,016,668	2.7 years	\$0.13	1,850,001	\$0.13
\$0.22 – \$0.32	3,280,000	3.7 years	\$0.25	1,753,331	\$0.24
\$0.145 – \$0.30	1,575,000	4.8 years	\$0.18	525,001	\$0.18
	12,867,197	2.8 years	\$0.14	10,123,862	\$0.11

Deferred Share Units Plan

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

The Board of Directors may grant DSUs (and the number of options to purchase shares described above) up to a maximum of 10% of common shares outstanding and up to a maximum of 2,000,000 units.

Maximum allowable grants under the Stock Option and DSU plans in aggregate as at September 30, 2018 were 16,143,628 (December 31, 2017 – 16,102,578) of which 12,867,197 were outstanding stock options and 1,999,998 were outstanding DSUs for a total of 14,867,195 (December 31, 2017 – 13,707,694).

Share Appreciation Rights Plan

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

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

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

5. Capital Stock (continued)

The value of each SAR unit when issued is based on the market price of the Company's stock on the date of grant. During the nine months ended September 30, 2018, the Company granted nil SAR units to Service Providers (2017 – nil). The total number of SAR units which have vested as at September 30, 2018 is 4,129,160 (December 31, 2017 – 4,502,000). The total number of SAR units which are unvested as at September 30, 2018 is nil (December 31, 2017 – 25,500).

6. 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 nine months ended September 30, 2018 was \$216,538 (2017 – \$286,597) which was included in stock based compensation expense, with a corresponding charge to contributed surplus (\$212,613 stock options, net of forfeits) and change in accrued liabilities (\$3,925 SARs). The Company granted 1,575,000 options during the nine months ended September 30, 2018 (2017 – 2,000,000) and nil SARs (2017 – nil). The weighted average fair value of the options granted (in Canadian dollars) during the nine months ended September 30, 2018 was \$0.18 per option (2017 – \$0.13) and \$nil (2017 – nil) per SAR unit at the grant date, \$0.24 per SAR unit at the September 30, 2018 revaluation date (December 31, 2017 – \$0.24).

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

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

	2018	2017
Risk free interest rate (%)	2.10 – 2.17%	0.55%
Expected volatility (%)	82.65 – 93.75%	104%
Expected life (in years)	4	3
Expected dividends	Nil	Nil
Weighted average share price (in Canadian dollars)	\$0.18	\$0.22
Forfeiture rate (%)	Nil	Nil

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

6. Stock-based Compensation (continued)

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

	September 30, 2018 Revaluation Date	December 31, 2017 Revaluation Date
Risk free interest rate (%)	1.37%	1.37%
Expected volatility (%)	40.15%	40.15%
Expected life (in years)	0.3	0.9
Expected dividends	nil	Nil
Weighted average share price (in Canadian dollars)	\$0.24	\$0.24
Forfeiture rate (%)	Nil	Nil

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

7. Net income per Share

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Numerator for basic and diluted net income (loss) per share:				
Net income (loss) for the period	\$ (688,859)	\$ 116,865	\$ (1,127,214)	\$ 209,273
Denominator for basic net income per share:				
Weighted average number of common shares outstanding	161,433,649	141,187,689	161,321,716	139,889,802
Effect of potential dilutive securities	–	8,909,808	–	7,623,479
Adjusted denominator for diluted net income (loss) per share	161,433,649	150,097,497	161,321,716	147,513,281
Basic net income (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00
Diluted net income (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ 0.00

Excluded from the calculation of diluted net loss per share for the three and nine months ended September 30, 2018, were 12,867,197 stock options with a weighted average exercise price (in Canadian dollars) of \$0.14 per share, 1,999,998 DSU's with a weighted average exercise price (in Canadian dollars) of \$0.08 per share and 8,528,635 warrants with a weighted average exercise price (in Canadian dollars) of \$0.39 per share as these would be anti-dilutive.

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

8. Supplemental Cash Flow Information

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Trade and other receivables	\$ 283,941	\$ (674,465)	\$ (275,350)	\$ (1,801,882)
Inventories	2,935	(8,521)	(3,900)	(12,223)
Prepaid expenses	(255,160)	(3,337)	(365,763)	(67,362)
Trade and other payables	(105,053)	186,402	126,097	281,878
Provisions	3,405	33,539	58,541	54,702
Unearned revenue and taxes	24,462	154,725	90,709	119,777
Total	\$ (45,470)	\$ (311,657)	\$ (369,666)	\$ (1,425,110)

Other supplemental cash flow information as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash received for interest	\$ 1,628	\$ –	\$ 1,628	\$ –
Cash paid for interest	6,331	–	6,331	–

9. Segmented Financial Information

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

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

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

9. Segmented Financial Information (continued)

Financial information by reportable business segment is as follows:

	Three months ended September 30, 2018			
	Technology	Transcription Services	Corporate	Total
Consolidated income and Comprehensive income				
Recurring revenue	\$ 383,940	\$ 2,110,224	–	\$ 2,494,164
Non-recurring revenue	561,156	–	–	561,156
Gross profit	439,961	426,495	–	866,456
Selling and administrative expenses	224,797	439,734	572,813	1,237,344
Stock based compensation expense	–	–	100,784	100,784
Research and development expenses	103,777	–	–	103,777
Depreciation and amortization	28,110	17,257	–	45,367
Foreign exchange loss	64,076	1,852	–	65,928
Interest income	(43)	(572)	–	(615)
Interest expense	(10)	2,740	–	2,730
Segment income (loss)	19,254	(34,516)	(673,597)	(688,859)
Consolidated Balance Sheet				
Total segment assets	\$ 7,305,204	\$ 1,356,933	–	\$ 8,662,137
Total segment current liabilities	1,333,870	974,912	575,766	2,884,548
Total segment non-current liabilities	86,590	102,564	–	189,154

	Three months ended September 30, 2017			
	Technology	Transcription Services	Corporate	Total
Consolidated Loss and Comprehensive Loss				
Recurring revenue	\$ 379,147	\$ 2,110,528	–	\$ 2,489,675
Non-recurring revenue	730,247	7,758	–	738,005
Gross profit	934,223	470,188	–	1,404,411
Selling and administrative expenses	258,198	429,151	252,913	940,262
Stock based compensation expense	–	–	(39,847)	(39,847)
Research and development expenses	64,288	–	–	64,288
Depreciation and amortization expenses	156,394	36,303	–	192,697
Foreign exchange loss (gain)	51,073	79,073	–	130,146
Interest income	(80)	(638)	–	(718)
Interest expense	10	1,706	–	1,716
Other Income	–	(922)	–	(922)
Taxes	–	(76)	–	(76)
Segment income (loss)	404,340	(74,409)	(213,066)	116,865
Consolidated Balance Sheet				
Total segment assets	\$ 5,368,811	\$ 1,486,500	–	\$ 6,855,311
Total segment current liabilities	925,391	1,025,442	657,474	2,608,307
Total segment non-current liabilities	81,613	113,369	–	194,982

9. Segmented Financial Information (continued)

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

	Nine months ended September 30, 2018			
	Transcription			Total
	Technology	Services	Corporate	
Consolidated income and Comprehensive income				
Recurring revenue	\$ 1,155,133	\$ 6,154,876	–	\$ 7,310,009
Non-recurring revenue	2,026,390	16,047	–	2,042,437
Gross profit	1,878,525	1,284,558	–	3,163,083
Selling and administrative expenses	1,054,438	1,222,223	1,421,385	3,698,046
Stock based compensation expense	–	–	216,538	216,538
Research and development expenses	327,188	–	–	327,188
Depreciation and amortization	89,396	53,742	–	143,138
Foreign exchange gain	(17,943)	(81,584)	–	(99,527)
Interest income	(122)	(1,627)	–	(1,749)
Interest expense	332	6,331	–	6,663
Segment income (loss)	425,236	85,473	(1,637,923)	(1,127,214)

	Nine months ended September 30, 2017			
	Transcription			Total
	Technology	Services	Corporate	
Consolidated Loss and Comprehensive Loss				
Recurring revenue	\$ 1,025,886	\$ 5,767,060	–	\$ 6,792,946
Non-recurring revenue	2,443,337	85,180	–	2,528,517
Gross profit	2,812,354	1,203,092	–	4,015,446
Selling and administrative expenses	748,535	1,146,090	819,729	2,714,354
Stock based compensation expense	–	–	286,597	286,597
Research and development expenses	188,842	–	–	188,842
Depreciation and amortization expenses	334,834	97,614	–	432,448
Foreign exchange loss	85,062	97,156	–	182,218
Interest income	(183)	(2,008)	–	(2,191)
Interest expense	157	4,746	–	4,903
Other Income	–	(922)	–	(922)
Taxes	–	(76)	–	(76)
Segment income (loss)	1,455,107	(139,508)	(1,106,326)	209,273

Revenues are segmented by geographic region as follows:

	Nine months ended September 30,	
	2018	2017
Australia	\$ 7,229,801	\$ 6,574,464
United States	1,027,606	1,597,349
United Kingdom	695,754	732,046
Canada	346,442	350,928
Other	52,843	66,676
	\$ 9,352,446	\$ 9,321,463

9. Segmented Financial Information (continued)

Property and equipment is located in the following countries:

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

	Nine months ended September 30,	
	2018	2017
Australia	\$ 44,319	\$ 96,371
Canada	86,129	68,208
	\$ 130,448	\$ 164,579

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

	2018	2017
First	22%	21%
Second	14%	13%
Third	12%	12%
Fourth	9%	9%
Fifth	2%	2%
Others	41%	43%
	100%	100%

10. Expenses by Nature

Expenses incurred by nature are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Employee salaries and benefits (note 11)	\$ 2,769,412	\$ 2,327,085	\$ 8,117,178	\$ 6,904,144
Facilities	92,905	98,316	285,437	287,358
Depreciation and amortization	45,367	192,697	143,138	432,448
Travel	45,213	43,297	171,222	135,092
Professional and consulting fees	96,472	70,817	295,560	221,705
Inventory, materials and other cost of sales	417,602	108,208	869,025	464,372
Investor relations and other shareholder expenses	14,386	6,863	55,778	34,422
Insurance	11,730	11,093	35,643	33,047
Telephone and internet	89,776	48,800	205,793	118,078
Other	93,273	73,493	395,499	297,592
Total	\$ 3,676,136	\$ 2,980,669	\$ 10,574,273	\$ 8,928,258

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

11. Employee Benefit Expense

Expenditures for employee benefits are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and wages	\$ 2,096,057	\$ 1,973,697	\$ 6,206,339	\$ 5,492,009
Employee benefits	29,740	30,219	104,962	89,179
Contract labour	500,087	363,016	1,419,339	1,036,359
Stock-based compensation	100,784	(39,847)	216,538	286,597
Other staff expense	42,744	-	170,000	-
Total	\$ 2,769,412	\$ 2,327,085	\$ 8,117,178	\$ 6,904,144

12. Risk Management for Financial Instruments**Fair Values**

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

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

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

The Company's financial instruments carried at fair value on the interim consolidated balance sheets consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). Share appreciation rights are categorized using observable market inputs (Level 2). The Company did not value any financial instruments using valuation techniques based on non-observable market inputs (Level 3) as at September 30, 2018.

Liquidity

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

The Company has sustained losses over the last number of periods and has financed these losses mainly through a combination of equity and debt offerings. As at September 30, 2018, the Company has contractual obligations relating to trade and other payables and obligations under finance lease. Management believes that it has raised sufficient cash to meet all of its contractual debt that is coming due in 2018 and has the ability to fund any operating losses that may occur in the upcoming periods.

VIQ Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in United States dollars)

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

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

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

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

	September 30, 2018	September 30, 2017
Australia	32%	26%
United States	30%	42%
United Kingdom	30%	20%
Canada	4%	7%
Rest of world	4%	5%
	100%	100%

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

	September 30, 2018	December 31, 2017
Allowance for doubtful accounts – beginning of year	\$ 551,421	\$ 43,872
Add: allowance for doubtful accounts acquired	186,000	507,460
Bad debt expense	12,011	(3,236)
Adjustment	(515,000)	-
Foreign exchange adjustments	(16,891)	3,325
Allowance for doubtful accounts – end of period	\$ 217,541	\$ 551,421

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

12. Risk Management for Financial Instruments (continued)

Foreign Currency Risk

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

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the 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 September 30, 2018, 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 \$4,000 (2017 – \$4,000).

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 \$1,000 (2017 – \$10,000) as at September 30, 2018.

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 \$9,000 (2017 – \$3,000) as at September 30, 2018.

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 \$99,527 for the nine months ended September 30, 2018 (2017 – foreign exchange loss of \$182,218).

Interest Rate Risk

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

Capital Management

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

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

13. Subsequent Event

On November 28, 2018 the Company completed the acquisition of Net Transcripts, Inc. of Phoenix, Arizona in an all cash transaction of approximately \$6,800,000 plus acquisition related costs. The acquisition was financed through a combination of drawing on funds raised from a convertible debenture private placement ("Private Placement") and a drawdown of debt capital pursuant to a \$11,500,000 debt facility ("Debt Facility") entered into with Crown Capital Partner Funding LP ("Crown").

The definitive terms of the Debt Facility with Crown are as follows: Up to \$11,500,000 is to be utilized and drawn upon for strategic acquisitions. 9 million common share purchase warrants ("Crown Warrants") were issued by the Company to Crown in connection with the closing of the Debt Facility. Each Crown Warrant will be exercisable into one common share (the "Shares") in the capital of the Company at a price per Share equal to CAD\$0.162 for a period of five years following the closing of the Debt Facility. In addition, the Company issued to Crown 2,127,659 Shares at a deemed price of CAD\$0.141 per Share, which is equal to the 20-day volume weighted trading price of the Shares on the trading day immediately prior to the closing of the Debt Facility.

Pursuant to the Private Placement, the Company issued approximately \$6,000,000 worth of convertible debentures ("Convertible Debentures") and issued common share purchase warrants (the "Warrants"). Each Warrant is exercisable to acquire one Share at an exercise price of CAD\$0.162 for a period of two years from the Private Placement.