



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 interim condensed 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 interim condensed 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 interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed consolidated financial statements by an entity's auditor.

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

Signed "Alexie Edwards"
Alexie Edwards
Chief Financial Officer



VIQ Solutions Inc.

Interim Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2020 and 2019 Unaudited

(Expressed in United States dollars)

VIQ Solutions Inc.
Interim Condensed Consolidated Statements of Financial Position
(Expressed in United States dollars, unaudited)

	September 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 4,142,272	\$ 1,707,654
Trade and other receivables, net of expected credit loss (note 5)	4,977,229	3,169,545
Inventories	52,841	64,706
Prepaid expenses and deposits	250,842	184,207
	9,423,184	5,126,112
Non-current assets		
Restricted cash	38,216	37,536
Property and equipment	219,466	111,587
Right of use assets	423,805	647,046
Intangible assets (note 7)	13,757,581	10,216,461
Goodwill (note 7)	9,749,926	4,295,515
Deferred tax assets	421,958	334,542
Total assets	\$ 34,034,136	\$ 20,768,799
Liabilities		
Current liabilities		
Trade and other payables and accrued liabilities (note 6)	\$ 6,828,338	\$ 3,073,361
Income tax payable	766,990	94,606
Share appreciation rights plan obligations (note 11)	120,619	149,078
Current portion of long-term debt (note 9)	1,059,792	1,103,438
Current portion of convertible note (note 9)	388,860	2,336,804
Current portion of lease obligations (note 17)	233,666	307,436
Provisions (note 8)	527,360	441,667
Contract liabilities	903,355	455,026
	10,828,980	7,961,416
Non-current liabilities		
Deferred tax liability	4,205	4,205
Long-term convertible note (note 9)	247,430	3,601,182
Long-term debt (note 9)	11,603,334	6,505,637
Long-term contingent consideration (note 4)	3,278,658	-
Long-term lease obligations (note 17)	240,133	382,208
Long-term provisions (note 8)	151,471	103,629
Total liabilities	26,354,211	18,558,277
Shareholders' equity		
Capital stock (note 10)	34,508,340	21,987,937
Contributed surplus	4,964,105	4,552,528
Accumulated other comprehensive income (loss)	(309,869)	(135,058)
Deficit	(31,482,651)	(24,194,885)
	7,679,925	2,210,522
Total liabilities and shareholders' equity	\$ 34,034,136	\$ 20,768,799

Approved by the Board

Signed "Larry Taylor"
Larry Taylor, Director

Signed "Sebastien Paré"

Sebastien Paré, CEO and Director

VIQ Solutions Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars, unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2020	2019	2020	2019
Revenue (note 14)	\$ 8,172,800	\$ 6,451,077	\$ 23,974,019	\$ 18,999,758
Cost of sales	3,268,679	3,551,057	10,789,728	10,612,358
Gross profit	4,904,121	2,900,020	13,184,291	8,387,400
Expenses				
Selling and administrative expenses	2,693,818	2,147,702	8,161,584	6,461,000
Research and development expenses	324,174	286,531	786,032	718,966
Stock-based compensation (note 11)	106,536	109,272	637,514	223,853
Foreign exchange (gain) loss	21,709	16,231	(285,191)	162,870
Depreciation	144,290	140,688	347,363	405,731
Amortization	1,216,245	782,199	3,381,393	2,166,093
	4,506,772	3,482,623	13,028,695	10,138,513
Gain (loss) before undernoted items and income taxes	397,349	(582,603)	155,596	(1,751,113)
Interest income	286	309	688	1,110
Interest expense (note 9)	(371,699)	(409,510)	(4,442,669)	(1,146,751)
Accretion and other financing expense (note 9)	(330,047)	(270,603)	(734,100)	(696,983)
Gain (loss) on revaluation of conversion feature liability (note 9)	16,407	1,558,119	(474,404)	1,595,221
Loss on repayment of long-term debt (note 9)	–	–	(1,290,147)	–
Other (expense) income	87,368	(3,718)	87,071	–
	(200,336)	291,994	(6,697,965)	(1,998,516)
Current income tax expense	(228,418)	–	(672,693)	–
Deferred income tax recovery	82,892	–	82,892	–
Income tax (expense) recovery	(145,526)	–	(589,801)	–
Net income (loss) for the period	\$ (345,862)	\$ 291,994	\$ (7,287,766)	\$ (1,998,516)
Exchange gain (loss) on translating foreign operations	(24,485)	91,687	(174,811)	(368,511)
Comprehensive income (loss) for the period	\$ (370,347)	\$ 383,681	\$ (7,462,577)	\$ (2,367,027)
Net income (loss) per share (note 12)				
Basic	\$ (0.02)	\$ 0.03	\$ (0.42)	\$ (0.21)
Diluted	\$ (0.02)	\$ 0.03	\$ (0.42)	\$ (0.21)
Weighted average number of common shares outstanding – basic (note 12)	18,494,247	9,549,609	17,321,476	9,382,728
Weighted average number of common shares outstanding – diluted (note 12)	18,494,247	10,044,578	17,321,476	9,382,728

VIQ Solutions Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars, unaudited)

	Capital stock		Contributed	Deficit	Accumulated	Total
	Number	Amount	surplus		other comprehensive income (loss)	
Balance as at December 31, 2018	8,729,318	\$ 18,662,252	\$ 3,595,587	\$ (19,670,687)	\$ 127,753	\$ 2,714,905
Comprehensive loss for the period	–	–	–	(1,998,516)	(368,511)	(2,367,027)
Shares issued due to exercise of stock options (note 10)	67,860	85,979	(26,347)	–	–	59,632
Shares issued due to exercise of warrants	1,188,853	1,917,278	–	–	–	1,917,278
Shares issued as financing costs	659,600	1,003,652	–	–	–	1,003,652
Shares issued – DSU	33,333	39,777	(39,221)	–	–	556
Stock-based compensation	–	–	195,638	–	–	195,638
Balance as at September 30, 2019	10,678,964	\$ 21,708,938	\$ 3,725,657	\$ (21,669,203)	\$ (240,758)	\$ 3,524,634

	Capital stock		Contributed	Deficit	Accumulated	Total
	Number	Amount	surplus		other comprehensive income (loss)	
Balance as at December 31, 2019	10,852,617	\$ 21,987,937	\$ 4,552,528	\$ (24,194,885)	\$ (135,058)	\$ 2,210,522
Comprehensive loss for the period	–	–	–	(7,287,766)	(174,811)	(7,462,577)
Shares issued due to exercise of stock options (note 10)	92,500	129,983	(46,416)	–	–	83,567
Shares issued due to exercise of warrants and warrant repricing (note 10)	1,154,759	1,859,963	84,287	–	–	1,944,250
Shares issued due to convertible note (note 9)	6,395,648	10,530,457	–	–	–	10,530,457
Stock-based compensation (note 11)	–	–	373,706	–	–	373,706
Balance as at September 30, 2020	18,495,524	\$ 34,508,340	\$ 4,964,105	\$ (31,482,651)	\$ (309,869)	\$ 7,679,925

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating activities				
Net loss for the period	\$ (345,862)	\$ 291,994	\$ (7,287,766)	\$ (1,998,516)
Items not affecting cash:				
Depreciation	144,290	140,688	347,363	405,731
Amortization	1,216,245	782,199	3,381,393	2,166,093
Stock-based compensation (note 11)	106,536	109,272	637,514	223,853
(Gain) loss on revaluation of conversion feature liability	(16,407)	(1,558,118)	474,404	(1,595,221)
Loss on repayment of long-term debt	–	–	1,290,147	–
Accretion and other financing expense	330,047	270,603	734,100	696,983
Interest expense, net	371,413	407,599	4,441,981	1,145,641
Income tax expense (recovery)	145,526	–	589,801	–
Other expense (income)	(84,144)	–	(84,144)	–
Provisions	90,536	(8,421)	133,535	18,167
Foreign exchange (gain) loss	21,709	16,231	(285,191)	162,870
Unrealized foreign exchange loss (gain)	(77,782)	(188,494)	(595,497)	586,798
Changes in non-cash operating working capital (note 13)	(1,932,019)	90,326	(323,015)	(2,528,797)
Cash provided by (used in) operating activities	(29,912)	353,878	3,454,625	(716,398)
Investing activities				
Purchase of property and equipment	(60,084)	(36,791)	(181,710)	(74,441)
Business acquisitions (note 4)	(96,106)	–	(4,507,606)	–
Development costs related to internally generated intangible assets	(418,489)	(377,535)	(1,116,605)	(1,284,147)
Change in restricted cash	(1,413)	1,403	(680)	1,568
Cash used in investing activities	(576,092)	(412,923)	(5,806,601)	(1,357,020)
Financing activities				
Proceeds from the exercise of stock options (note 10)	10,752	43,886	10,752	59,215
Proceeds from the exercise of warrants (note 10)	–	1,922,094	1,859,963	1,922,094
Proceeds from debt (note 9)	–	–	4,566,945	1,925,000
Repayment of debt (note 9)	(259,302)	(379,122)	(573,684)	(673,427)
Repayment of lease obligations	(68,620)	(100,546)	(263,221)	(294,073)
Payment of interest on debt	(350,171)	(317,024)	(770,437)	(489,694)
Payment of interest on lease obligations	(16,386)	(19,065)	(44,181)	(60,779)
Cash (used in) provided by financing activities	(683,727)	1,150,223	4,786,137	2,388,336
Net increase (decrease) in cash for the period	(1,289,731)	1,091,178	2,434,161	314,918
Cash, beginning of period	5,384,207	1,188,312	1,707,654	1,922,768
Effect of exchange rate changes on cash	47,796	(122)	457	41,682
Cash, end of period	\$ 4,142,272	\$ 2,279,368	\$ 4,142,272	\$ 2,279,368

Supplemental disclosure (note 13)

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

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

1. Nature of operations

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

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

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

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”. On January 31, 2020, the Company, through its US subsidiary VIQ services Inc., acquired the assets of ASC Services LLC (“ASC”). On February 26, 2020, the Company through its US subsidiary VIQ services Inc., acquired the shares of WordZXpressed Inc. (“WordZ”). Refer to note 4 for details on the acquisition.

2. Basis of preparation

(a) Statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), following the accounting policies and methods of application as disclosed in our 2019 financial statements except as described in note 2(c). The condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 27, 2020.

(b) Basis of presentation

The notes presented in these interim condensed consolidated financial statements include only significant changes and transactions occurring since the Company’s last yearend and are not fully inclusive of all disclosures required by International Financial Reporting Standards (“IFRS”) as issued by the IASB for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2019 and 2018. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value as noted below.

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

2. Basis of preparation (continued)

(c) New Accounting Policy

The Company recognizes government grants when there is reasonable assurance that the grant will be received, and any conditions associated with the grant have been met. Grants that compensate the Company for expenses incurred are recognized in the condensed consolidated statement of loss and comprehensive loss as a reduction of the related expenses in the period in which they are earned, provided the conditions for receiving the grant are met in that period.

(d) Functional and presentation currency

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

The exchange rates used were as follows:

USD / CAD exchange rate	September 30, 2020	December 31, 2019	September 30, 2019
Closing at the reporting date	0.7482	0.7682	0.7552
Average rate for the period	0.7415	0.7537	0.7524

USD / AUD exchange rate	September 30, 2020	December 31, 2019	September 30, 2019
Closing at the reporting date	0.7140	0.7013	0.6753
Average rate for the period	0.6764	0.6954	0.6994

3. Significant accounting policies, estimates and judgments

The preparation of financial statements in accordance with IAS 34 requires management to make estimates and assumptions that affect the amounts reported in the interim condensed consolidated financial statements and notes to the interim condensed 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 and judgments made by the Company include the valuation of acquired intangible assets, 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, contingent consideration, stock based compensation, and the determination of functional currency.

4. Acquisitions

On January 31, 2020, the Company through its US subsidiary, VIQ services Inc., acquired 100% of the assets of ASC. ASC was a provider transcription services focused on the multi-speaker transcription market, serving both government and public ‘content creation space’ and complements the Company’s transcription services business. The purchase price paid for the ASC acquisition was \$6,388,251, with \$3,136,500 paid in cash on closing and an estimated \$3,251,751 to be paid as contingent consideration via a performance-based earn-out payable quarterly over 30 months. With respect to the contingent consideration, the Company has agreed to make quarterly payments to the sellers between July 15, 2020 and April 15, 2023 based on the achievement of quarterly revenue targets as defined in the purchase agreement. At the date of acquisition, contingent

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

4. Acquisitions (continued)

consideration is measured on a discounted cash flow basis, reflecting the present value of undiscounted expected future payments of \$3,833,500, which is the expected payout based on forecast revenues at that date, discounted using a risk-adjusted discount rate of 10 percent. The expected cash flows, which can range between \$nil and \$4,025,175, and the risk-adjusted discount rate are each significant unobservable inputs in the determination of contingent consideration.

On February 26, 2020, the Company through its US subsidiary VIQ services Inc., acquired 100% of the shares of WordZ. WordZ was a provider of English transcription services to medical service providers and to insurance companies in the USA and complements the Company's transcription services business. The purchase price paid for the WordZ acquisition was \$4,022,431, with \$1,275,000 paid in cash on closing, \$1,200,000 paid via a promissory note payable quarterly over 36 months, recorded at the discount value of \$914,677, and an estimated \$1,832,754 to be paid as contingent consideration via a performance-based earnout payable quarterly over 36 months. The Company has agreed to make quarterly payments to the sellers between October 1, 2020 and July 1, 2023 based on the achievement of quarterly revenue targets as defined in the purchase agreement. The Company has agreed to pay the sellers additional consideration if the acquiree meets predefined quarterly revenue targets over that period. At the date of acquisition, contingent consideration is measured on a discounted cash flow basis, reflecting the present value of undiscounted expected future payments of \$2,175,231, which is the expected payout based on forecast revenues, discounted using a risk-adjusted discount rate of 10 percent. The expected cash flows, which can range between \$nil and \$2,338,373, and the risk-adjusted discount rate are each significant unobservable inputs in the determination of contingent consideration.

The acquisitions completed during the nine months ended September 30, 2020 were each determined to be a business combination and were accounted for using the acquisition method in accordance with IFRS 3, *Business Combinations*, with the results of operations consolidated with those of the Company effective January 31, 2020 for ASC and February 26, 2020 for WordZ.

During the nine months ended September 30, 2020, the Company incurred \$19,058 in business acquisition costs related to the acquisitions which have been expensed and included in selling and administrative expenses in the consolidated statement of loss and comprehensive loss (September 30, 2019 - \$nil).

The total consideration for the acquisitions and the purchase price allocation is as follows:

	Measurement	
	ASC	WordZ
Consideration		
Cash	\$ 3,136,500	\$ 1,275,000
Promissory note	–	914,677
Contingent consideration	3,251,751	1,832,754
Total Consideration	\$ 6,388,251	\$ 4,022,431
Identifiable assets acquired and liabilities assumed		
Net tangible assets (liabilities) acquired	(869,583)	(72,485)
Customer relationships (note 7)	2,880,000	2,220,000
Non-compete (note 7)	–	70,000
Brand (note 7)	550,000	190,000
Goodwill	\$ 3,827,834	\$ 1,614,916

During the three and nine months ended September 30, 2020, the anticipated earnout payment accrual was reduced. As a result \$8,769 and \$75,375 was recorded for ASC and WordZ respectively as other income. Additionally, accretion expense of \$218,159 and \$118,455 was recorded for ASC and WordZ respectively during the nine months ended September 30, 2020. Earnout payment totalling \$96,106 was made to the previous owners of ASC during the three months ended September 30,

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

4. Acquisitions (continued)

2020.

As at September 30, 2020, \$1,950,443 (2019 - \$nil) of the total contingent consideration of \$5,229,101 (2019 - \$nil) is recorded as trade and other payables and accrued liabilities, and \$3,278,658 has been recorded as long-term contingent consideration (2019 - \$nil).

The accounting for the acquisitions was incomplete as at September 30, 2020. The finalization of the above purchase price allocations is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including intangible assets and taxation-related balances as well as for potential unrecorded liabilities. The fair value of the acquired intangible assets of ASC and WordZ have been measured on a provisional basis, pending completion of an independent valuation. If new information obtained prior to the finalization of the acquisition accounting reflect facts and circumstances that existed at the date of acquisition, the above amounts will be adjusted retrospectively as a result. We expect to finalize this determination on or before our quarter ending March 31, 2021 following the completion of the valuation described.

For the three and nine month periods ended September 30, 2020 consolidated revenues of \$8,172,800 and \$23,974,019 include revenue from acquisitions of \$2,723,310 and \$7,329,223, respectively. Net loss for the three and nine month periods ended September 30, 2020 of \$345,862 and \$7,287,766 include profit from acquisitions of \$1,148,506 and \$2,064,145 respectively.

If the acquisitions would have occurred on January 1, 2020, management estimates that the pro forma consolidated revenue for the nine month period ended September 30, 2020 would have been \$25,686,400 and net loss for the nine month period ended September 30, 2020 would have been \$7,015,832 as compared to the amounts reported in the interim condensed consolidated statements of loss and comprehensive loss for the nine month period ended September 30, 2020. This unaudited pro forma financial information is for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented or the results that may be realized in the future.

5. Trade and other receivables

	September 30, 2020	December 31, 2019
Trade accounts receivable	\$ 4,180,074	\$ 3,930,178
Other receivable (note 6)	908,247	141,582
Less: expected credit losses (note 18)	(111,092)	(902,215)
	\$ 4,977,229	\$ 3,169,545

6. Government Assistance

Australian Business Wage Subsidies

The Australian government introduced programs to support Australian businesses whose revenues were impacted by the COVID-19 pandemic. The government is providing wage subsidies to qualifying companies of approximately AU\$750 per employee per week.

US Paycheck Protection Program Loan

On April 24, 2020, the Company received a loan for \$2,159,000 under the U.S. Small Business Administration Paycheck

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

6. Government Assistance (continued)

Protection Program through BMO Harris Bank at an interest rate of 1% maturing in two years. Principal and interest are due beginning seven months from the date of the note. Generally, the loan will be forgiven if utilized for payment of qualifying expenses during the 24-week period that begins at the origination date of the loan. The Company anticipates achieving these conditions.

As a result of the two COVID-19 related government support programs described above, government assistance of \$2,010,183 and \$3,894,067 was recorded as a recovery against related salary costs and other expenses in the condensed consolidated statement of loss and comprehensive loss during the three and nine months ended September 30, 2020, with \$1,439,133 and \$2,840,813 as a reduction to cost of sales during the three and nine months ended September 30, 2020, respectively, and \$571,050 and \$1,053,254 as a reduction to operating expenses during the three and nine months ended September 30, 2020. There was no government assistance recorded during the three and nine months ended September 30, 2019.

As at September 30, 2020, the condensed consolidated statement of financial position included assistance receivable of \$375,138 (2019 - \$nil) in trade and other receivables and deferred assistance of \$324,552 (2019 - \$nil) in trade and other payables and accrued liabilities. Subsequent to quarter end, the assistance receivable was collected in its entirety.

7. Intangible assets and goodwill

Details of the Company's intangible assets as of September 30, 2020 are listed as follows:

	Balance December 31, 2019	Acquisitions (note 4)	Additions	Foreign exchange	Balance September 30, 2020
Cost					
Customer relationships	\$ 7,393,708	5,100,000	–	(10,250)	\$ 12,483,458
Technology	470,000	–	–	–	470,000
Non-compete	–	70,000	–	–	70,000
Brand	840,000	740,000	–	–	1,580,000
Internally generated intangible assets	5,259,287	–	1,116,605	(136,925)	6,238,968
	\$ 13,962,995	5,910,000	1,116,605	(147,175)	\$ 20,842,425
Accumulated depreciation					
Customer relationships	\$ 1,812,833	–	1,695,839	(8,315)	\$ 3,500,357
Technology	102,499	–	70,500	–	172,999
Non-compete	–	–	13,806	–	13,806
Brand	–	–	96,592	–	96,592
Internally generated intangible assets	1,831,202	–	1,504,706	(34,818)	3,301,090
	\$ 3,746,534	–	3,381,443	(43,133)	\$ 7,084,844
Net book value	\$ 10,216,461				\$ 13,757,581

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

7. Intangible assets and goodwill (continued)

Details of the Company's goodwill as of September 30, 2020 are listed as follows:

	December 31, 2019	Acquisitions	Adjustments	Foreign exchange	September 30, 2020
Spark & Cannon	587,187	–	–	10,633	597,820
Dataworxs	138,053	–	–	(3,594)	134,459
Net Transcripts	1,575,511	–	–	–	1,575,511
Transcription Express	1,516,904	–	4,622	–	1,521,526
HomeTech	477,860	–	–	–	477,860
ASC	–	3,827,834	–	–	3,827,834
WordZ	–	1,614,916	–	–	1,614,916
	\$ 4,295,515	\$ 5,442,750	\$ 4,622	\$ 7,039	\$ 9,749,926

8. Provisions

As at December 31, 2019	\$ 545,296
Provisions recorded during the period	341,917
Provisions used during the period	(215,121)
Reversals	(9,645)
Effect of movements of foreign exchange	16,384
As at September 30, 2020	\$ 678,831
Provisions classified as current liabilities	527,360
Provisions classified as non-current liabilities	151,471
	\$ 678,831

The provisions balance is comprised of long-term service leave and other provisions for annual leave and time off in lieu. The provision represents Australian statutory leave payable to those employees reaching the nominated service date as required by state law. Long-term service leave accrues from the date the employee commences employment. The accrual is based on the expected weeks of leave payable for each employee and the entitlement calculation as provided within the various state acts. A probability factor is applied to the accrual for each employee based on the probability the employee will reach the entitlement. The long-term service leave provision also includes a provision for superannuation (pension) and payroll tax, both payable when the leave is taken.

The provisions have been classified as short and long-term based on the Company's best estimate of when the benefits will be paid. Annual leave is classified as current in the consolidated financial statements. The provision for long-term service leave is classified as current if the employee has reached the required service in accordance with the applicable state act and is eligible for the leave. If the employee has not reached the entitlement date, the leave provision is classified as non-current.

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9. Long-term debt

	September 30, 2020	December 31, 2019
Crown Capital Funding Partner LP Note Payable	\$ 10,497,110	\$ 5,964,602
Unsecured convertible notes	636,290	5,937,986
Unsecured Transcription Express 10% promissory note	484,878	863,438
Unsecured HomeTech interest-free promissory note	663,258	781,035
Unsecured WordZ promissory note (see note 4), including \$35,671 of interest payable	1,017,880	—
Less current portion of long term debt and convertible note	(1,448,652)	(3,440,242)
	\$ 11,850,764	\$ 10,106,819

Crown Capital Funding Partner LP Note Payable

The Company entered a secured debt facility with Crown Capital Funding Partner LP (“Crown”) with maximum available funds of \$10,995,000 (CAD\$15,000,000) bearing an interest rate of 10 percent payable quarterly. The loan is secured by a general security agreement covering all assets of the Company. The outstanding principal balance of the loan is repayable on November 28, 2023. On initiation of the debt facility on November 28, 2018, 450,000 common share purchase warrants were issued to Crown. A value of \$623,152 (CAD\$828,917) was attributed to the 450,000 warrants and was recorded in contributed surplus. Each warrant is convertible into one common share in the capital of the Company at a price per share equal to CAD\$2.06 until November 28, 2023. In addition, in lieu of payment of the debt facility origination fee the Company issued 106,383 common shares to Crown at a deemed price of CAD\$2.80 which was equal to the 20-day volume weighted trading price on the trading day immediately preceding November 28, 2018. A value of \$225,530 (CAD\$300,000) was attributed to the 106,383 common shares and has been included in capital stock. During 2018, the Company drew \$8,935,000 of the available facility.

During the three month period ended March 31, 2020, in connection with the acquisition of ASC and WordZ (see note 4), the Company borrowed the remaining \$4,566,945 (CAD\$6,065,000) of the available facility. As part of this transaction, the Company and Crown entered into an amendment to the Debt Facility, pursuant to which 450,000 new common share purchase warrants were issued to Crown on January 31, 2020 and previously issued 450,000 common share purchase warrants were concurrently cancelled. The new warrants reflect a price per Share equal to CAD\$2.06 (the “Exercise Price”) until expiry on November 28, 2023. As a result of this modification, the Company recorded \$83,340 (CAD\$111,387) reflecting the incremental fair value of the warrant associated with the amendment as a reduction in the carrying value of the note payable. The difference between the face value and ascribed value of the amended warrants are being accreted over the remaining life of the debt facility. Corresponding transaction costs were netted against the face value of the debt facility and are recognized as accretion and other financing expense over the term of the loan. During the three and nine months ended September 30, 2020, there was \$24,228 and \$24,228 was recorded as accretion and other financing expense in the consolidated statement of loss (three and nine months ended September 30, 2019 - nil and nil).

Additionally, the Company recorded fees of \$317,520 (CAD\$450,000) associated with establishing the amended debt facility as part of its outstanding principal. These fees will accrue interest at 10 percent and repayment is due on November 28, 2023.

Convertible Notes

The Company issued unsecured convertible notes with a face value of \$1,000 bearing interest at a rate of 10% per annum maturing in five years after issuance. As at September 30, 2020, a value of \$388,860 (December 31, 2019 - \$2,336,804) was attributed to the convertibility option. The difference between the face value and ascribed value of the debt, being the value of the convertibility option, is being accreted over the five year life of the convertible note. During the three and nine months

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9. Long-term debt (continued)

ended September 30, 2020, the Company recognized a gain on the revaluation of the conversion feature liability of \$16,407 and a loss of \$474,404, respectively (2019 – gain of \$1,558,119 during the three months ended September 30, 2019 and gain of \$1,595,221 during the nine months ended September 30, 2019).

In February 2020, the Company entered into agreements (the “Amending Agreements”) with the holders of unsecured convertible notes (each, a “Note”) in the aggregate principal amount of approximately \$6,792,934, granting the holders of such Notes (each a “Noteholder”) the option to convert the principal and the aggregate interest payable on their Notes from the date of issuance to the maturity date (the “Total Interest Payable”) into Shares at a conversion price of CAD\$2.18 per Share (the “Conversion Option”). The re-pricing of the conversion price to CAD\$2.18 per Share resulted in a charge of \$1,290,147 reflecting the incremental fair value of the reduced exercise price. This charge was recorded as a loss on repayment of long-term debt in the condensed consolidated statements of loss and comprehensive loss. Concurrent with their entry into the Amending Agreements, Noteholders holding all of the outstanding Notes exercised the Conversion Option, except to the extent that the exercise of the Conversion Option would result in a Noteholder becoming a “control person” under the policies of the TSX Venture Exchange (the “TSXV”).

As a result of the exercise of the Conversion Option, the Company recognized \$3,409,520 in interest expense reflecting interest charges from the date of the conversion through the maturity date. The Corporation issued 6,395,648 common shares to settle its outstanding Notes having an aggregate principal amount of \$6,488,886, including the early termination cost described above, and Total Interest Payable of \$4,041,571, for a total amount of \$10,530,457.

The unconverted principal and interest payable at September 30, 2020 is \$636,290 (2019 - \$5,937,986), of which \$388,860 (2019 – \$2,336,804) is presented as the current portion of convertible note and \$247,430 (2019 – \$3,601,182) as long-term convertible debt in the condensed consolidated statement of financial position.

Unsecured Promissory Notes

Unsecured promissory notes have been issued to the former owners of acquired companies. An additional note was issued to the former owners of WordZ with a face value of \$1,200,000 bearing interest at 5% to be paid quarterly for 36 months beginning January 5, 2021 to the period ending October 5, 2023. The fair value of the unsecured promissory notes was determined on a market annual interest rate of 12%. The difference between the face value and the ascribed value of the notes is being accreted over life of the notes.

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10. Capital stock

Common Shares

The Company's authorized capital consists of an unlimited number of common shares with no par value. As at September 30, 2020, common shares of the Company were reserved as follows:

	Exercise Price (CAD)	Expiry dates	Number outstanding
Options	\$1.20 – \$4.20	January 2021 – December 2021	233,333
	\$4.40 – \$6.40	January 2022 – December 2022	97,000
	\$2.90 - \$6.00	January 2023 – December 2023	141,250
	\$2.20 - \$3.10	January 2024 – December 2024	250,350
	\$3.13	January 2025 – December 2025	396,000
			1,117,933
Deferred share units	\$1.20	N/A	66,667
Warrants	\$3.24	November 2020	14,278
	\$2.60	January 2021	659,600
	\$2.06	November 2023	450,000
			1,123,878

Subsequent to September 30, 2020, on November 6, 2020 the Company announced an amendment to its previously announced bought deal financing. Pursuant to the amendment, the Company has agreed to sell 4,705,900 common shares at a price per share of CAD \$4.25 per common share for aggregate gross proceeds of CAD \$20,000,075 (approximately \$15,270,000). This sale of shares and receipt of proceeds were completed on November 26, 2020.

Warrants

On March 4, 2020, VIQ announced that it was accelerating the vesting of 1,103,526 warrants (each a "Warrant") exercisable to acquire common shares of the Company (each a "Common Share"), originally issued pursuant to private placements closing on November 28, 2018, December 20, 2018 and May 7, 2019. Pursuant to the terms of the Warrants (the "Warrant Certificates"), the Company has the right to accelerate the expiry date of the Warrants in the event that the closing price of the Common Shares on the TSX Venture Exchange is equal to or greater than \$2.68 for any ten (10) consecutive trading days (an "Acceleration Event"). During the nine months ended September 30, 2020, 1,154,759 warrants which were granted with the convertible debt issued on November 28, 2018, December 21, 2018 and May 7, 2019 were exercised (September 30, 2019 – 1,188,853) at the exercise price of CAD \$2.14 and CAD \$3.24 (September 30, 2019 – \$2.14).

As at September 30, 2020, there were 1,123,878 warrants outstanding (December 31, 2019 – 2,519,600).

Stock Option Plan

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

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

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10. Capital stock (continued)

As at September 30, 2020, the Company had 742,150 options (December 31, 2019 – 613,283) that had vested with a weighted average exercise price of CAD \$2.84 per share (December 31, 2019 – \$2.62).

During the nine months ended September 30, 2020, there were 396,000 stock options granted to directors, officers, employees, and contractors (three months 2019 – 175,350 and nine months ended 2019 – 257,850). During the three months ended September 30, 2020, 10,000 options were exercised for proceeds of \$10,752 and nine months ended September 30, 2020, there were 92,500 stock options exercised (three months 2019 – 52,749 and nine months ended 2019 – 67,860) for proceeds of \$83,750 (three and nine months ended September 30, 2019 – \$43,886 and \$59,215, respectively). There were no stock options forfeited during the three months and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 – 16,667).

The following information applies to stock options outstanding and exercisable at September 30, 2020:

Range of exercise prices (CAD)	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price (CAD)	Options exercisable	Weighted average exercise price (CAD)
\$1.20 – \$1.30	140,000	0.6 years	\$1.26	140,000	\$1.26
\$2.10 – \$4.20	93,333	0.7 years	\$2.70	93,333	\$2.70
\$4.40 – \$6.40	97,000	1.6 years	\$4.92	97,000	\$4.92
\$2.84 - \$6.00	141,250	3.0 years	\$3.28	112,917	\$3.38
\$2.20 - \$3.10	250,350	3.8 years	\$2.44	166,900	\$2.44
\$3.13	396,000	4.6 years	\$3.13	132,000	\$3.13
	1,117,933	3.1 years	\$2.88	742,150	\$2.84

Deferred Share Units Plan

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

The Board of Directors may grant DSUs (and the number of options to purchase shares described above) up to a maximum of 10% of common shares outstanding and up to a maximum of 100,000 units.

Maximum allowable grants under the Stock Option and DSU plans in aggregate as at September 30, 2020 were 1,849,552 (December 31, 2019 – 1,085,261) of which 1,117,933 were outstanding stock options and 66,667 were outstanding DSUs for a total of 1,184,600 (December 31, 2019 – 934,767).

The Company did not grant any DSU’s to Directors of the Company during the nine months ended September 30, 2020 (2019 – nil).

Share Appreciation Rights Plan

In 2015, the Company established a Share Appreciation Rights (“SAR”) plan for its Service Providers (as defined in VIQ’s SAR plan). The Company’s SAR plan provides incentive compensation, based on the appreciation in the value of the Company’s shares, to the service providers, thereby providing additional incentive for their efforts in promoting the continued growth and success of the business of the Company. During the year ended December 31, 2018, the Company amended the outstanding SARs to extend the expiry of the SARs from December 31, 2018 to July 15, 2020, the date the SARs plan will expire. 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:

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10. Capital stock (continued)

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

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

The value of each SAR unit when issued is based on the market price of the Company's stock on the date of grant. At the end of December 31, 2017, the Company amended the SARs plan by placing a limit on the appreciated value of the Company's shares within the SARs plan to limit the overall liability. At December 31, 2019, 188,990 outstanding SARs units were fully vested. As at September 30, 2020, 188,990 of the fully vested outstanding SARs units were exercised and a corresponding share appreciation rights plan obligation of \$120,619 has been recognized in the condensed consolidated statement of financial position to reflect the outstanding cash settlement.

11. 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, 2020 was \$637,514 (2019 – \$223,853) which was included in stock-based compensation expense, with a corresponding charge to contributed surplus.

During the nine months ended September 30, 2020, the outstanding SARS units balance of 188,990 of SARs units were fully vested and settled (December 31, 2019 – 28,663) and a corresponding liability of \$120,619 is recorded in the share appreciation rights plan obligation. As at September 30, 2020, there are no outstanding SARS. During the nine months ended September 30, 2020, 92,500 options were exercised. 10,000 options were exercised for a total proceed of \$10,752 along with 82,500 of options were exercised with a charge to share appreciation rights plan obligation liability and equity.

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12. Net loss per share

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerator for basic and diluted net loss per share:				
Net income (loss) for the period	\$ (345,862)	\$ 291,994	\$ (7,287,766)	\$ (1,998,516)
Denominator for basic net income per share:				
Weighted average number of common shares outstanding	18,494,247	9,549,609	17,321,476	9,382,728
Effect of potential dilutive securities	–	494,969	–	–
Adjusted denominator for diluted net loss per share	18,494,247	10,044,578	17,321,476	9,382,728
Basic net income (loss) per share	\$ (0.02)	\$ 0.03	\$ (0.42)	\$ (0.21)
Diluted net income (loss) per share	\$ (0.02)	\$ 0.03	\$ (0.42)	\$ (0.21)

For the three and nine months ended September 30, 2020, 2,698,481 of potentially dilutive common shares (nine months ended September 30, 2019 – 7,082,705) issuable upon the exercise of the conversion option related to convertible debt, warrants, deferred share units, and options were not included in the computation of loss per share because their effect was anti-dilutive.

13. 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,	
	2020	2019	2020	2019
Trade and other receivables	\$ (124,989)	\$ (16,353)	\$ (742,490)	\$ (734,096)
Inventories	(1,168)	32,913	12,050	(103,442)
Prepaid expenses	(29,014)	154,121	(63,293)	(18,481)
Trade and other payables	(1,883,462)	(217,345)	381,491	(1,620,714)
Contract liabilities and taxes	106,614	136,990	89,227	(52,064)
Total	\$ (1,932,019)	\$ 90,326	\$ (323,015)	\$ (2,528,797)

Other supplemental cash flow information as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash received for interest	\$ 286	\$ –	\$ 688	\$ –
Cash paid for interest	(366,557)	(336,089)	(814,618)	(550,473)

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14. 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 technology service 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.

The Chief Executive Officer is our chief operating decision maker and regularly reviews our operations and performance by segment. They review segment gain (loss) as the key measure of profit for the purpose of assessing performance of each segment and to make decisions about the allocation of resources.

Financial information by reportable business segment is as follows:

	Three months ended September 30, 2020			
	Technology	Technology services	Corporate	Total
Consolidated income (loss)				
Revenue	\$ 712,015	\$ 7,460,785	\$ –	\$ 8,172,800
Gross profit	548,419	4,355,702	–	4,904,121
Selling and administrative expenses	665,656	862,525	1,165,637	2,693,818
Stock-based compensation	–	–	106,536	106,536
Research and development expenses	324,174	–	–	324,174
Depreciation and amortization	607,074	753,461	–	1,360,535
Foreign exchange (gain) loss	37,428	(15,719)	–	21,709
Interest income	–	(286)	–	(286)
Interest, accretion and other financing expense	7,151	–	694,595	701,746
Other expense	–	(2,927)	(297)	(3,224)
(Gain) loss on revaluation of conversion feature liability	–	–	(16,407)	(16,407)
Contingent consideration expense (income)	–	(84,144)	–	(84,144)
Current income tax expense	–	228,418	–	228,418
Deferred income tax expense (recovery)	–	(82,892)	–	(82,892)
Segment gain (loss)	(1,093,064)	2,697,266	(1,950,064)	(345,862)
Consolidated balance sheet				
Total segment assets	\$ 5,209,804	\$ 28,824,332	\$ –	\$ 34,034,136
Total segment current liabilities	2,232,728	8,086,772	509,480	10,828,980
Total segment non-current liabilities	–	15,277,801	247,430	15,525,231

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14. Segmented financial information (continued)

	Three months ended September 30, 2019			
	Technology and related revenue	Technology services	Corporate	Total
Consolidated income (loss)				
Revenue	\$ 907,869	\$ 5,543,208	\$ –	\$ 6,451,077
Gross profit	589,059	2,310,961	–	2,900,020
Selling and administrative expenses	912,406	1,086,475	148,821	2,147,702
Stock-based compensation	–	–	109,272	109,272
Research and development expenses	286,531	–	–	286,531
Depreciation and amortization	428,405	494,482	–	922,887
Foreign exchange loss	16,231	–	–	16,231
Interest income	–	(309)	–	(309)
Interest, accretion and other financing expense	7,420	672,693	–	680,113
Other income	–	3,718	–	3,718
(Gain) loss on revaluation of conversion feature liability	–	–	(1,558,119)	(1,558,119)
Segment income (loss)	(1,061,934)	53,902	1,300,026	291,994
Consolidated balance sheet				
Total segment assets	\$ 7,096,689	\$ 15,169,095	\$ –	\$ 22,265,784
Total segment current liabilities	2,237,368	2,861,091	3,205,047	8,303,506
Total segment non-current liabilities	30,658	10,406,987	–	10,437,645

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14. Segmented financial information (continued)

	Nine months ended September 30, 2020			
	Technology and related revenue	Technology services	Corporate	Total
Consolidated income (loss)				
Revenue	\$ 2,259,108	\$ 21,714,911	\$ –	\$ 23,974,019
Gross profit	1,600,704	11,583,587	–	13,184,291
Selling and administrative expenses	2,583,869	3,107,261	2,470,454	8,161,584
Stock-based compensation	–	–	637,514	637,514
Research and development expenses	786,032	–	–	786,032
Depreciation and amortization	1,625,719	2,103,037	–	3,728,756
Foreign exchange gain	(245,479)	(39,712)	–	(285,191)
Interest income	–	(688)	–	(688)
Interest, accretion and other financing expense	21,197	–	5,155,572	5,176,769
Other income	–	(2,927)	–	(2,927)
(Gain) loss on revaluation of conversion feature liability	–	–	474,404	474,404
Loss on repayment of long-term debt	–	–	1,290,147	1,290,147
(Gain) loss on contingent consideration expense	–	(84,144)	–	(84,144)
Current income tax expense	–	672,693	–	672,693
Deferred income tax expense (recovery)	–	(82,892)	–	(82,892)
Segment income (loss)	(3,170,634)	5,910,959	(10,028,091)	(7,287,766)

	Nine months ended September 30, 2019			
	Technology and related revenue	Technology services	Corporate	Total
Consolidated income (loss)				
Revenue	\$ 2,832,669	\$ 16,167,089	\$ –	\$ 18,999,758
Gross profit	1,546,016	6,841,384	–	8,387,400
Selling and administrative expenses	2,056,140	3,419,421	985,439	6,461,000
Stock-based compensation	–	–	223,853	223,853
Research and development expenses	718,966	–	–	718,966
Depreciation and amortization	1,103,607	1,468,217	–	2,571,824
Foreign exchange loss	162,870	–	–	162,870
Interest income	–	(1,110)	–	(1,110)
Interest, accretion and other financing expense	22,673	1,821,061	–	1,843,734
(Gain) loss on revaluation of conversion feature liability	–	–	(1,595,221)	(1,595,221)
Segment income (loss)	(2,518,240)	133,795	385,929	(1,998,516)

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14. Segmented financial information (continued)

Revenues are segmented by geographic region as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
United States	\$ 5,795,047	\$ 3,949,179	\$17,171,458	\$ 11,032,720
Australia	2,187,832	2,221,786	6,222,403	6,678,422
United Kingdom	66,171	303,500	298,692	1,028,984
Canada	87,717	(24,874)	184,302	205,649
Other	36,033	1,486	97,164	53,983
Total	\$ 8,172,800	\$ 6,451,077	\$ 23,974,019	\$ 18,999,758

The Company had two customers who contributed greater than 10 percent of consolidated total revenues during the nine months ended September 30, 2020 (September 30, 2019 – two customers). During this period, these customers comprised 22 percent of consolidated revenue (September 30, 2019 – 26 percent).

Revenues are segmented by the following nature:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Technology services	\$ 7,401,023	\$ 5,485,894	\$ 21,380,231	\$ 15,846,878
Software licenses	162,722	224,621	793,382	785,523
Support and maintenance	372,343	350,236	1,088,646	1,124,109
SaaS	11,578	21,504	32,216	71,375
Professional services	72,521	327,646	123,498	360,109
Hardware	147,505	39,986	532,930	521,992
Other	5,108	1,190	23,116	289,772
Total	\$ 8,172,800	\$ 6,451,077	\$23,974,019	\$18,999,758

Property and equipment are located in the following countries:

	September 30, 2020	December 31, 2019
Canada	\$ 121,826	\$ 94,023
Australia	97,640	17,564
	\$ 219,466	\$ 111,587

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15. Expenses by nature

Expenses incurred by nature are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Employee and contractor expenses (note 16)	\$ 5,123,986	\$ 5,010,575	\$ 16,469,451	\$ 14,778,732
Inventory, materials and other cost of sales	171,047	187,170	669,834	864,171
Depreciation and amortization	1,360,535	922,887	3,728,756	2,571,824
Facilities	73,944	47,925	233,731	202,500
Professional and consulting fees	437,866	312,870	1,005,151	628,834
Investor relations and other shareholder expenses	74,126	98,809	215,843	156,917
Acquisition costs	-	-	19,058	-
Bad debt	7,148	(57,182)	7,148	90,584
Marketing and advertising/promotion expenses	69,041	29,514	151,813	29,514
Software license and IT expenses	286,186	154,260	920,173	270,327
Telephone and internet	57,529	164,901	225,262	327,978
Travel	(7,314)	101,304	84,350	237,045
Insurance	39,009	15,216	74,618	45,379
Office, administrative, and other operating expenses	60,639	29,200	298,426	384,196
FX (gain) loss	21,709	16,231	(285,191)	162,870
Total	\$ 7,775,451	\$ 7,033,680	\$ 23,818,423	\$ 20,750,871

16. Employee benefit expense

Expenditures for employee benefits are as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Salaries and wages and employee benefits	\$ 2,151,082	\$ 2,877,179	\$ 7,661,895	\$ 8,821,319
Contract labour	2,677,218	2,005,857	7,457,643	5,706,947
Stock-based compensation	106,536	109,272	637,514	223,853
Other staff expense	189,150	18,267	712,399	26,613
Total	\$ 5,123,986	\$ 5,010,575	\$16,469,451	\$ 14,778,732

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17. Leases

Below is a summary of the activity related to our lease liabilities for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Lease liabilities, beginning of period	\$ 597,177	\$ 766,052	\$ 689,644	\$ 1,072,426
Acquired leases through acquisition (note 4)	-	-	44,725	-
Net additions	-	-	12,199	-
Interest on lease liabilities	16,386	19,065	44,181	60,779
Interest payments on lease liabilities	(16,386)	(19,065)	(44,181)	(60,779)
Principal payments of lease liabilities	(68,620)	(100,546)	(263,221)	(294,073)
Adjustments	(65,010)	19,156	(5,207)	(99,122)
FX difference	10,252	(7,367)	(4,341)	(1,936)
Lease liabilities, end of period	\$ 473,799	\$ 677,295	\$ 473,799	\$ 677,295

18. Risk management for financial instruments

Fair values

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

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

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

The Company's financial instruments carried at fair value on the consolidated balance sheets consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). Share appreciation rights and the conversion feature derivative liability are categorized using observable market inputs (Level 2). The Company did not value any financial instruments using valuation techniques based on non-observable market inputs (Level 3) as at September 30, 2020.

Liquidity risk

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

The Company has sustained losses over the last number of periods and has financed these losses mainly through a combination of equity and debt offerings. Management believes that it has raised sufficient cash to meet all of its contractual debt that is coming due in 2020 and has the ability to fund any operating losses that may occur in the upcoming periods.

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

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

	September 30, 2020	September 30, 2019
United States	71%	68%
Australia	21%	25%
United Kingdom	6%	3%
Canada	1%	3%
Rest of world	1%	1%
	100%	100%

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

	September 30, 2020	December 31, 2019
Expected credit loss – beginning of year	\$ 902,215	\$ 769,930
Add: provision for expected credit loss	9,281	114,237
Less: write-offs	(782,077)	–
Foreign exchange adjustments	(18,327)	18,048
Expected credit loss – end of period	\$ 111,092	\$ 902,215

Interest rate risk

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

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18. 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, 2020, fluctuations of the Australian dollar relative to the United States dollar of 5% would result in an exchange gain or loss on the net financial assets, impacting the Company's comprehensive income by approximately \$69,000 (2019 – \$7,000).

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 \$14,000 (2019 – \$33,000) as at September 30, 2020.

The Company's computer products and services operations are exposed to exchange rate changes in the Great Britain pound relative to the United States dollar since a portion of this business unit's sales are denominated in Great Britain pounds with most of the related expenses in United States dollars. A fluctuation of the Great Britain pound of 5% would result in an exchange gain or loss on the net financial assets of approximately \$nil (2019 – \$4,000) as September 30, 2020.

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 \$285,191 for the nine months ended September 30, 2020 (2019 – foreign exchange loss of \$162,870).

Capital management

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