



## **VIQ Solutions Inc.**

Interim Condensed Consolidated Financial Statements (Restated – Note 19)  
Three and six months ended June 30, 2020 and 2019

(Expressed in United States dollars, unaudited)

VIQ Solutions Inc.

Interim Condensed Consolidated Statements of Financial Position (Restated – Note 19)

(Expressed in United States dollars, unaudited)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets		
Cash	\$ 5,384,207	\$ 1,707,654
Trade and other receivables, net of expected credit loss (note 5)	4,796,210	3,169,545
Inventories	49,402	64,706
Prepaid expenses and deposits	217,690	184,207
	10,447,509	5,126,112
Non-current assets		
Restricted cash	36,803	37,536
Property and equipment	184,174	111,587
Right of use assets	559,257	647,046
Intangible assets (note 7)	14,512,395	10,216,461
Goodwill (note 7)	9,725,091	4,295,515
Deferred tax assets	326,806	334,542
<b>Total assets</b>	<b>\$ 35,792,035</b>	<b>\$ 20,768,799</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables and accrued liabilities (note 6)	\$ 7,926,394	\$ 3,073,361
Income tax payable	535,583	94,606
Share appreciation rights plan obligations (note 11)	248,353	149,078
Current portion of long-term debt (note 9)	1,147,456	1,103,438
Current portion of convertible note (note 9)	396,147	2,336,804
Current portion of lease obligations (note 17)	259,064	307,436
Provisions (note 8)	454,646	441,667
Contract liabilities	1,076,580	455,026
	12,044,223	7,961,416
Non-current liabilities		
Deferred tax liability	4,205	4,205
Long-term convertible note (note 9)	222,001	3,601,182
Long-term debt (note 9)	11,488,283	6,505,637
Long-term contingent consideration (note 4)	3,712,717	-
Long-term lease obligations (note 17)	338,113	382,208
Long-term provisions (note 8)	133,649	103,629
<b>Total liabilities</b>	<b>27,943,191</b>	<b>18,558,277</b>
<b>Shareholders' equity</b>		
Capital stock (note 10)	34,491,380	21,987,937
Contributed surplus	4,779,637	4,552,528
Accumulated other comprehensive income (loss)	(285,384)	(135,058)
Deficit	(31,136,789)	(24,194,885)
	7,848,844	2,210,522
<b>Total liabilities and shareholders' equity</b>	<b>\$ 35,792,035</b>	<b>\$ 20,768,799</b>

Approved by the Board

Signed "Larry Taylor"  
Larry Taylor, Director

Signed "Sebastien Paré"

Sebastien Paré, CEO and Director

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Restated – Note 19)  
(Expressed in United States dollars, unaudited)

	Three Months ended June 30,		Six Months ended June 30,	
	2020	2019	2020	2019
<b>Revenue</b> (note 14)	<b>\$ 8,253,015</b>	<b>\$ 6,189,458</b>	<b>\$ 15,801,219</b>	<b>\$ 12,548,681</b>
Cost of sales	3,202,737	3,739,216	7,521,049	7,061,301
Gross profit	5,050,278	2,450,242	8,280,170	5,487,380
Expenses				
Selling and administrative expenses	3,090,612	1,799,433	5,467,766	4,313,298
Research and development expenses	209,537	231,824	461,858	432,435
Stock-based compensation (note 11)	483,253	90,280	530,978	114,581
Foreign exchange (gain) loss	(54,651)	126,889	(306,900)	146,639
Depreciation and amortization	1,179,129	856,408	2,368,221	1,648,937
	4,907,880	3,104,834	8,521,923	6,655,890
Gain (loss) before undernoted items and income taxes	142,398	(654,592)	(241,753)	(1,168,510)
Interest income	198	178	402	801
Interest expense (note 9)	(375,018)	(331,935)	(4,070,970)	(737,241)
Accretion and other financing expense (note 9)	(240,190)	(215,896)	(404,053)	(426,380)
(Loss) gain on revaluation of conversion feature liability (note 9)	(72,791)	(320,828)	(490,811)	37,102
Loss on repayment of long-term debt (note 9)	–	–	(1,290,147)	–
Other (expense) income	(297)	3,718	(297)	3,718
Net loss before income taxes	(545,700)	(1,519,355)	(6,497,629)	(2,290,510)
Income tax expense	(390,831)	–	(444,275)	–
<b>Net loss for the period</b>	<b>\$ (936,531)</b>	<b>\$ (1,519,355)</b>	<b>\$ (6,941,904)</b>	<b>\$ (2,290,510)</b>
Exchange differences on translating foreign operations	(166,265)	(82,768)	(150,326)	(460,198)
<b>Comprehensive loss for the period</b>	<b>\$ (1,102,796)</b>	<b>\$ (1,602,123)</b>	<b>\$ (7,092,230)</b>	<b>\$ (2,750,708)</b>
<b>Net loss per share</b> (note 12)				
Basic	\$ (0.05)	\$ (0.16)	\$ (0.41)	\$ (0.25)
Diluted	\$ (0.05)	\$ (0.16)	\$ (0.41)	\$ (0.25)
Weighted average number of common shares outstanding – basic and diluted (note 12)	18,364,354	9,416,799	16,728,647	9,297,904

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

VIQ Solutions Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Restated – Note 19)

(Expressed in United States dollars, unaudited)

	Capital stock		Contributed		Accumulated other comprehensive	Total
	Number	Amount	surplus	Deficit	income (loss)	equity
<b>Balance as at January 1, 2019</b>	8,729,318	\$ 18,662,252	\$ 3,595,587	\$ (19,670,687)	\$ 127,753	\$ 2,714,905
Comprehensive loss for the period	–	–	–	(2,290,510)	(460,198)	(2,750,708)
Private Placement adjustment	–	8,619	(8,720)	–	–	(101)
Shares issued due to exercise of stock options (note 10)	14,958	22,565	(7,117)	–	–	15,448
Shares issued as financing costs	659,600	1,003,652	–	–	–	1,003,652
Shares issued - DSU	33,333	39,777	(39,221)	–	–	556
Options forfeited	–	–	(39,652)	–	–	(39,652)
Stock-based compensation (note 11)	–	–	123,195	–	–	123,195
<b>Balance as at June 30, 2019</b>	9,437,209	\$ 19,736,865	\$ 3,624,072	\$ (21,961,197)	\$ (332,445)	\$ 1,067,295
Comprehensive loss for the period	–	–	–	(2,233,688)	197,387	(2,036,301)
Private Placement adjustment	–	(8,619)	8,720	–	–	101
Shares issued due to exercise of stock options (note 10)	52,902	63,414	(19,231)	–	–	44,183
Shares issued due to exercise of warrants (note 10)	1,362,506	2,196,277	–	–	–	2,196,277
Shares issued upon settlement of payables	–	–	762,575	–	–	762,575
Stock-based compensation (note 11)	–	–	176,392	–	–	176,392
<b>Balance as at December 31, 2019</b>	10,852,617	\$ 21,987,937	\$ 4,552,528	\$ (24,194,885)	\$ (135,058)	\$ 2,210,522
Comprehensive loss for the period	–	–	–	(6,941,904)	(150,326)	(7,092,230)
Shares issued due to exercise of stock options (note 10)	82,500	113,023	(40,061)	–	–	72,962
Shares issued due to exercise of warrants (note 10)	1,154,759	1,859,963	–	–	–	1,859,963
Shares issued due to convertible note (note 9)	6,395,648	10,530,457	–	–	–	10,530,457
Stock-based compensation (note 11)	–	–	267,170	–	–	267,170
<b>Balance as at June 30, 2020</b>	18,485,524	\$ 34,491,380	\$ 4,779,637	\$ (31,136,789)	\$ (285,384)	\$ 7,848,844

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

**VIQ Solutions Inc.**
**Interim Condensed Consolidated Statements of Cash Flows (Restated – Note 19)**  
**(Expressed in United States dollars, unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (936,531)	\$ (1,519,355)	\$ (6,941,904)	\$ (2,290,510)
Items not affecting cash:				
Depreciation and amortization	1,110,075	747,332	2,213,495	1,430,838
Depreciation – right of use assets	69,054	109,076	154,726	218,099
Stock-based compensation (note 11)	483,253	90,280	530,978	114,581
(Gain) loss on revaluation of conversion feature liability	72,791	320,828	490,811	(37,102)
Loss on repayment of long-term debt	–	–	1,290,147	–
Accretion and other financing expense	240,190	215,896	404,053	426,380
Interest expense, net	374,820	333,359	4,070,568	738,042
Income tax expense	390,831	–	444,275	–
Provisions	33,909	(40,498)	42,999	26,588
Deferred income tax expense (recovery)	7,736	4,769	7,736	2,835
Foreign exchange (gain) loss	(54,651)	126,889	(306,900)	146,639
Unrealized foreign exchange loss (gain)	21,751	1,005,090	(521,287)	772,456
Changes in non-cash operating working capital (note 13)	1,627,736	(2,298,672)	1,553,361	(2,604,796)
<b>Cash provided by (used in) operating activities</b>	<b>3,440,964</b>	<b>(905,006)</b>	<b>3,433,058</b>	<b>(1,055,950)</b>
<b>Investing activities</b>				
Purchase of property and equipment	(94,638)	(25,496)	(121,626)	(37,650)
Business acquisitions (note 4)	–	–	(4,411,500)	–
Development costs related to internally generated intangible assets	(359,754)	(506,521)	(698,116)	(906,612)
Change in restricted cash	(3,940)	433	733	165
<b>Cash used in investing activities</b>	<b>(458,332)</b>	<b>(531,583)</b>	<b>(5,230,509)</b>	<b>(944,097)</b>
<b>Financing activities</b>				
Proceeds from the exercise of stock options (note 10)	–	(2,429)	–	15,329
Proceeds from the exercise of warrants (note 10)	287,597	–	1,859,963	–
Proceeds from debt (note 9)	–	1,925,000	4,566,945	1,925,000
Repayment of debt (note 9)	(60,000)	(254,305)	(250,127)	(294,305)
Repayment of lease obligations	(126,875)	(98,641)	(222,397)	(193,527)
Payment of interest on debt	(288,895)	(130,774)	(460,889)	(172,670)
Lease advances	43,528	(23,344)	27,848	(56,040)
<b>Cash (used in) provided by financing activities</b>	<b>(144,645)</b>	<b>1,415,507</b>	<b>5,521,343</b>	<b>1,223,787</b>
<b>Net increase (decrease) in cash for the period</b>	<b>2,837,987</b>	<b>(21,082)</b>	<b>3,723,892</b>	<b>(776,260)</b>
Cash, beginning of period	2,485,341	1,192,494	1,707,654	1,922,768
Effect of exchange rate changes on cash	60,879	16,900	(47,339)	41,804
<b>Cash, end of period</b>	<b>\$ 5,384,207</b>	<b>\$ 1,188,312</b>	<b>\$ 5,384,207</b>	<b>\$ 1,188,312</b>

Supplemental disclosure (note 13)

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

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**VIQ Solutions Inc.****Notes to Consolidated Financial Statements (Restated – Note 19)****(Expressed in United States dollars)**

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**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 restated condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 19, 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 (Restated – Note 19)

(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 and HomeTech - USD. All financial information is presented in USD unless otherwise stated.

The exchange rates used were as follows:

USD / CAD exchange rate	June 30, 2020	December 31, 2019	June 30, 2019
Closing at the reporting date	0.7330	0.7682	0.7636
Average rate for the period	0.7371	0.7537	0.7500

  

USD / AUD exchange rate	June 30, 2020	December 31, 2019	June 30, 2019
Closing at the reporting date	0.6876	0.7013	0.7015
Average rate for the period	0.6573	0.6954	0.7001

**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 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

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VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

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**4. Acquisitions (continued)**

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. The acquired goodwill in the ASC acquisition was the result of the ASC's positive reputation in the marketplace, including providing services to a several Fortune 500 Media Companies as well as large US Government Entities, which was a useful marketing tool for sales to new customers; the expectation that ASC could earn higher than typical operating margins for several years in the future due to the specialized nature of the services offered; and the potential for growth at the valuation date. The acquisition provided VIQ with access to a new industry (media) to market the Company's service offering, and this market is considered to have limited competition at the acquisition date and to provide an opportunity for premium pricing. Additionally, the acquisition provided access to an assembled skilled workforce.

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 \$2,175,231, and the risk-adjusted discount rate are each significant unobservable inputs in the determination of contingent consideration. The acquired goodwill in the WordZ acquisition was the result of WordZ's positive reputation in the marketplace, including being a leading provider of transcription services in insurance and law enforcement, providing services across the USA, a useful marketing tool for sales to new customers. The acquisition expanded customer reach in the medical vertical. While there were competitive pressures in the medical transcription industry at the acquisition date, management considered certain geographic segments and sub-markets (such as midwifery and child protective services) to present opportunities for growth, and considered that WordZ's experience with medical customers could provide access to profitable growth in certain markets. Additionally, the acquisition provided access to an assembled skilled workforce.

The acquisitions completed during the six months ended June 30, 2020 were each determined to be 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 six months ended June 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 (June 30, 2019 - \$nil).

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**4. Acquisitions (continued)**

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

	Measurement	
	ASC	WordZ
<b>Consideration</b>		
Cash	\$ 3,136,500	\$ 1,275,000
Promissory note	–	914,677
Contingent consideration	3,251,751	1,832,754
<b>Total Consideration</b>	<b>\$ 6,388,251</b>	<b>\$ 4,022,431</b>
<b>Identifiable assets acquired and liabilities assumed</b>		
Accounts receivable	672,869	325,000
Other current assets	5,748	56,000
Deferred revenue	(363,977)	–
Accounts payable and accrued liabilities	(1,184,223)	(453,485)
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 six months ended June 30, 2020, there were no changes in the estimate of variable contingent consideration payable in the ASC or WordZ acquisitions, respectively. The increase of \$153,862 reflects accretion expense to record the contingent consideration at its present value. As at June 30, 2020, \$1,525,650 (2019 - \$nil) of the total contingent consideration of \$5,238,367 (2019 - \$nil) is recorded as trade and other payables and accrued liabilities, and \$3,712,717 has been recorded as long-term contingent consideration (2019 - \$nil).

The accounting for the acquisitions was incomplete as at June 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.

As described in Note 19, the purchase price allocation was restated as the preliminary valuation of acquired assets, contingent consideration and promissory note were not measured in accordance with IFRS 3, *Business Combinations*. As a result, the purchase price allocation has been restated to reflect the acquisition date fair value based on information available at June 30, 2020.

For the three and six month periods ended June 30, 2020 consolidated revenues of \$8,253,015 and \$15,801,219 include revenue from acquisitions of \$2,758,269 and \$4,605,914, respectively. Net loss for the three and six month periods ended June 30, 2020 of \$936,531 and \$6,941,904 include profit from acquisitions of \$637,232 and \$896,901 respectively.

If the acquisitions would have occurred on January 1, 2020, management estimates that the pro forma consolidated revenue for the six month period ended June 30, 2020 would have been \$17,513,600 and net loss for the six month period ended June 30, 2020 would have been \$6,669,970 as compared to the amounts reported in the interim condensed consolidated statements of loss and comprehensive loss for the six month period ended June 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.

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**5. Trade and other receivables**

	June 30, 2020	December 31, 2019
Trade accounts receivable	\$ 3,992,455	\$ 3,930,178
Other receivable (note 6)	900,849	141,582
Less: expected credit losses (note 18)	(97,094)	(902,215)
	\$ 4,796,210	\$ 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 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 \$1,803,884 and \$1,883,884 was recorded as a recovery against related salary costs in the condensed consolidated statement of loss and comprehensive loss during the three and six months ended June 30, 2020, with \$1,321,679 and \$1,401,679 as a reduction to cost of sales during the three and six months ended June 30, 2020, respectively, and \$482,205 as a reduction to operating expenses during the three and six months ended June 30, 2020. There was no government assistance recorded during the three and six months ended June 30, 2019.

As at June 30, 2020, the condensed consolidated statement of financial position included assistance receivable of \$505,678 (2019 - \$nil) in trade and other receivables and deferred assistance of \$1,264,824 (2019 - \$nil) in trade and other payables and accrued liabilities. Subsequent to quarter end, the assistance receivable was collected in its entirety.

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**7. Intangible assets and goodwill**

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

	Balance December 31, 2019	Acquisitions (note 4)	Additions	Foreign exchange	Balance June 30, 2020
<b>Cost</b>					
Customer relationships	\$ 7,393,708	5,100,000	–	(18,039)	\$ 12,475,669
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	–	694,248	(240,987)	5,712,548
	\$ 13,962,995	5,910,000	694,248	(259,026)	\$ 20,308,217
<b>Accumulated depreciation</b>					
Customer relationships	\$ 1,812,833	–	1,107,289	(15,657)	\$ 2,904,465
Non-compete	–	–	7,972	–	7,972
Brand	–	–	59,264	–	59,264
Technology	102,499	–	47,000	–	149,499
Internally generated intangible assets	1,831,202	–	931,920	(88,500)	2,674,622
	\$ 3,746,534	–	2,153,445	(104,157)	\$ 5,795,822
Net book value	\$ 10,216,461				\$ 14,512,395

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

	December 31, 2019	Acquisitions	Adjustments	Foreign exchange	June 30, 2020
Spark & Cannon	587,187	–	–	(11,471)	575,716
Dataworxs	138,053	–	–	(6,325)	131,728
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	\$ (17,796)	\$ 9,725,091

**8. Provisions**

As at December 31, 2019	\$ 545,296
Provisions recorded during the period	200,352
Provisions used during the period	(143,907)
Reversals	(5,162)
Effect of movements of foreign exchange	(8,284)
As at June 30, 2020	\$ 588,295

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**8. Provisions (continued)**

Provisions classified as current liabilities	454,646
Provisions classified as non-current liabilities	133,649
	\$ 588,295

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. Other provisions include annual leave and time off in lieu.

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.

**9. Long-term debt**

	June 30, 2020	December 31, 2019
Crown Capital Funding Partner LP Note Payable	\$ 10,274,621	\$ 5,964,602
Unsecured convertible notes	618,148	5,937,986
Unsecured Transcription Express 10% promissory note	684,180	863,438
Unsecured HomeTech interest-free promissory note	703,633	781,035
Unsecured WordZ promissory note (see note 4), including \$20,548 of interest payable	973,305	-
Less current portion and conversion feature derivative liability	(1,543,603)	(3,440,242)
	\$ 11,710,284	\$ 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

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**VIQ Solutions Inc.****Notes to Consolidated Financial Statements (Restated – Note 19)****(Expressed in United States dollars)**

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**9. Long-term debt (continued)**

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. The difference between the face value and ascribed value of the note payable is being accreted over the remaining life of the debt facility.

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. Corresponding deferred 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.

*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 June 30, 2020, a value of \$396,147 (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 six months ended June 30, 2020, the Company recognized a loss on the revaluation of the conversion feature liability of \$72,791 and \$490,811, respectively (2019 – loss of \$320,828 during the three months ended June 30, 2019 and gain of \$37,102 during the six months ended June 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 June 30, 2020 is \$618,148 (2019 - \$5,937,986), of which \$396,147 (2019 – \$2,336,804) is presented as the current portion of convertible note and \$222,001 (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.

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**10. Capital stock***Common Shares*

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

	Exercise Price (CAD)	Expiry dates	Number outstanding
Options	\$1.20 – \$1.30	January 2020 – December 2020	150,000
	\$2.10 – \$4.20	January 2021 – December 2021	95,833
	\$4.40 – \$6.40	January 2022 – December 2022	97,000
	\$2.90 - \$6.00	January 2023 – December 2023	141,250
	\$2.20 - \$3.10	January 2024 – December 2024	250,350
	\$3.13	January 2025 – December 2025	396,000
			1,130,433
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 June 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). The common shares will be offered in Canada by way of a short form prospectus and is expected to close on November 26, 2020 subject to TSX-V and regulatory approvals.

*Warrants*

On March 4, 2020, VIQ announced that it is 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 six months ended June 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 (December 31, 2019 – 1,362,499) at the exercise price of CAD \$2.14 and CAD \$3.24 (December 31, 2019 – \$2.14).

As at June 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

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**10. Capital stock (continued)**

As at June 30, 2020, the Company had 686,200 options (December 31, 2019 – 613,283) that had vested with a weighted average exercise price of CAD \$2.86 per share (December 31, 2019 – \$2.62).

During the three months and six months ended June 30, 2020, there were 396,000 stock options granted to directors, officers, employees, and contractors (three months 2019 – 27,500 and six months ended 2019 – 82,500). During the three and six months ended June 30, 2020, there were 82,500 stock options exercised (three months 2019 – 2,749 and six months ended 2019 – 14,958) for proceeds of CAD \$99,000 (three months June 30, 2019 – \$2,735 and six months ended June 30, 2019 – \$22,481). There were no stock options forfeited during the three months and six months ended June 30, 2019 (three and six months ended June 30, 2019 – nil).

The following information applies to stock options outstanding and exercisable at June 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	150,000	0.3 years	\$1.26	150,000	\$1.26
\$2.10 – \$4.20	95,833	1.0 years	\$2.69	95,833	\$2.69
\$4.40 – \$6.40	97,000	1.9 years	\$4.92	97,000	\$4.92
\$2.90 - \$6.00	141,250	3.3 years	\$3.28	100,417	\$3.44
\$2.20 - \$3.10	250,350	4.0 years	\$2.44	110,950	\$2.51
\$3.13	396,000	4.8 years	\$3.13	132,000	\$3.13
	1,130,433	3.3 years	\$2.86	686,200	\$2.86

*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 June 30, 2020 were 1,848,552 (December 31, 2019 – 1,085,261) of which 1,130,433 were outstanding stock options and 66,667 were outstanding DSUs for a total of 1,197,100 (December 31, 2019 – 934,767).

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

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**VIQ Solutions Inc.**
**Notes to Consolidated Financial Statements (Restated – Note 19)**

 (Expressed in United States dollars)
 

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**10. Capital stock (continued)**
*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:

- 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 June 30, 2020, 188,990 of fully vested outstanding SARs units were exercised and a corresponding share appreciation rights plan obligation of \$248,353 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 six months ended June 30, 2020 was \$530,978 (2019 – \$114,581) which was included in stock-based compensation expense, with a corresponding charge to contributed surplus.

During the six months ended June 30, 2020, the outstanding SARRS units balance of 188,990 of SARs units were fully vested and settled (December 31, 2019 – 28,663) and a corresponding liability of \$248,353 is recorded in the share appreciation rights plan obligation. As at June 30, 2020, there are no outstanding SARRS. During the six months ended, 82,500 of options were exercised with a charge to share appreciation rights plan obligation liability and equity.

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

## 12. Net loss per share

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Numerator for basic and diluted net loss per share:				
<b>Net loss for the period</b>	\$ (936,531)	\$ (1,519,355)	\$ (6,941,904)	\$ (2,290,510)
Denominator for basic net income per share:				
Weighted average number of common shares outstanding	18,364,354	9,416,779	16,728,647	9,297,904
Effect of potential dilutive securities	–	–	–	–
<b>Adjusted denominator for diluted net loss per share</b>	18,364,354	9,416,779	16,728,647	9,297,904
Basic and diluted net loss per share	\$ (0.05)	\$ (0.16)	\$ (0.41)	\$ (0.25)

For the six months ended June 30, 2020, 2,589,373 of potentially dilutive common shares (2019 – 8,267,485) 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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Trade and other receivables	\$ (276,495)	\$ (304,348)	\$ (617,500)	\$ (717,743)
Inventories	8,438	(89,503)	13,218	(136,355)
Prepaid expenses	(13,007)	(66,841)	(34,279)	(172,602)
Trade and other payables	2,156,138	(1,774,065)	2,209,309	(1,389,042)
Contract liabilities and taxes	(247,338)	(63,915)	(17,387)	(189,054)
Total	\$ 1,627,736	(2,298,672)	\$ 1,553,361	\$ (2,604,796)

Other supplemental cash flow information as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash received for interest	\$ 198	\$ –	\$ 402	\$ –
Cash paid for interest	(288,895)	(130,774)	(460,889)	(172,670)

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**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 June 30, 2020			
	Technology	Technology services	Corporate	Total
<b>Consolidated income (loss)</b>				
Revenue	\$ 863,314	\$ 7,389,701	\$ –	\$ 8,253,015
Gross profit	553,769	4,496,509	–	5,050,278
Selling and administrative expenses	1,248,824	1,056,525	785,263	3,090,612
Stock-based compensation	–	–	483,253	483,253
Research and development expenses	209,537	–	–	209,537
Depreciation and amortization	550,496	628,633	–	1,179,129
Foreign exchange loss (gain)	14,106	(68,757)	–	(54,651)
Interest income	–	(198)	–	(198)
Interest, accretion and other financing expense	6,943	–	608,265	615,208
Other expense	–	–	297	297
Loss on revaluation of conversion feature liability	–	–	72,791	72,791
Tax expense	–	390,831	–	390,831
Segment gain (loss)	(1,476,137)	2,489,475	(1,949,869)	(936,531)
<b>Consolidated balance sheet</b>				
Total segment assets	\$ 6,372,488	\$ 29,419,547	\$ –	\$ 35,792,035
Total segment current liabilities	2,849,284	8,550,439	644,500	12,044,223
Total segment non-current liabilities	–	15,676,967	222,001	15,898,968

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

## 14. Segmented financial information (continued)

	Three months ended June 30, 2019			
	Technology and related revenue	Technology services	Corporate	Total
<b>Consolidated income (loss)</b>				
Revenue	\$ 818,698	\$ 5,370,760	\$ –	\$ 6,189,458
Gross profit	364,534	2,085,708	–	2,450,242
Selling and administrative expenses	452,736	947,214	399,483	1,799,433
Stock-based compensation	–	–	90,280	90,280
Research and development expenses	231,824	–	–	231,824
Depreciation and amortization	370,420	485,988	–	856,408
Foreign exchange loss	126,889	–	–	126,889
Interest income	–	(178)	–	(178)
Interest, accretion and other financing expense	7,518	540,313	–	547,831
Other income	–	(3,718)	–	(3,718)
Loss on revaluation of conversion feature liability	–	–	320,828	320,828
Segment income (loss)	(824,853)	116,089	(810,591)	(1,519,355)
<b>Consolidated balance sheet</b>				
Total segment assets	\$ 6,067,225	\$ 15,940,430	\$ –	\$ 22,007,655
Total segment current liabilities	2,340,234	7,817,320	238,786	10,396,340
Total segment non-current liabilities	30,999	10,513,021	–	10,544,020

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

## 14. Segmented financial information (continued)

	Six months ended June 30, 2020			
	Technology and related revenue	Technology services	Corporate	Total
<b>Consolidated income (loss)</b>				
Revenue	\$ 1,547,093	\$ 11,254,126	\$ –	\$ 15,801,219
Gross profit	1,052,284	7,227,886	–	8,280,170
Selling and administrative expenses	2,007,759	2,155,189	1,304,818	5,467,766
Stock-based compensation	–	–	530,978	530,978
Research and development expenses	461,858	–	–	461,858
Depreciation and amortization	1,036,461	1,331,760	–	2,368,221
Foreign exchange gain	(282,907)	(23,993)	–	(306,900)
Interest income	–	(402)	–	(402)
Interest, accretion and other financing expense	14,046	–	4,460,977	4,475,023
Other income	–	–	297	297
Loss on revaluation of conversion feature liability	–	–	490,811	490,811
Loss on repayment of long-term debt	–	–	1,290,147	1,290,147
Tax expense	–	444,275	–	444,275
Segment income (loss)	(2,184,933)	3,321,057	(8,078,028)	(6,941,904)

	Six months ended June 30, 2019			
	Technology and related revenue	Technology services	Corporate	Total
<b>Consolidated income (loss)</b>				
Revenue	\$ 1,927,790	\$ 10,620,891	\$ –	\$ 12,548,681
Gross profit	956,957	4,530,423	–	5,487,380
Selling and administrative expenses	1,143,735	2,332,946	836,617	4,313,298
Stock-based compensation	–	–	114,581	114,581
Research and development expenses	432,435	–	–	432,435
Depreciation and amortization	675,202	973,735	–	1,648,937
Foreign exchange loss	146,639	–	–	146,639
Interest income	–	(801)	–	(801)
Interest, accretion and other financing expense	15,252	1,148,369	–	1,163,621
Other income	–	(3,718)	–	(3,718)
Loss on revaluation of conversion	–	–	(37,102)	(37,102)
Segment income (loss)	(1,456,306)	79,892	(914,096)	(2,290,510)

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**14. Segmented financial information (continued)**

Revenues are segmented by geographic region as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
United States	\$ 5,915,740	\$ 3,685,178	\$ 11,376,411	\$ 7,083,541
Australia	2,048,777	2,271,086	4,034,571	4,456,636
United Kingdom	196,004	168,652	232,521	725,484
Canada	48,198	53,369	96,585	230,523
Other	44,296	11,173	61,131	52,497
Total	\$ 8,253,015	\$ 6,189,458	\$ 15,801,219	\$ 12,548,681

The Company had two customers who contributed greater than 10 percent of consolidated total revenues during the six months ended June 30, 2020 (June 30, 2019 – two customers). During this period, these customers comprised 22 percent of consolidated revenue (June 30, 2019 – 23 percent).

Revenues are segmented by the following nature:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Technology services	\$ 7,141,215	\$ 5,266,464	\$ 13,979,209	\$ 10,360,983
Software licenses	428,621	290,442	630,660	560,902
Support and maintenance	360,187	403,768	716,303	773,873
SaaS	10,432	24,405	20,637	49,871
Professional services	18,528	17,032	50,977	32,463
Hardware	288,357	81,727	385,425	482,007
Other	5,675	105,620	18,008	288,582
Total	\$ 8,253,015	\$ 6,189,458	\$ 15,801,219	\$ 12,548,681

Property and equipment are located in the following countries:

	June 30, 2020	December 31, 2019
Canada	\$ 120,424	\$ 94,023
Australia	63,750	17,564
	\$ 184,174	\$ 111,587

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**15. Expenses by nature**

Expenses incurred by nature are as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Employee salaries and benefits (note 12)	\$ 5,367,806	\$ 4,911,297	\$ 11,131,204	\$ 10,136,894
Inventory, materials and other cost of sales	312,831	188,201	498,787	255,038
Depreciation and amortization	1,179,129	856,408	2,368,221	1,648,937
Facilities	45,941	76,741	166,589	309,388
Professional and consulting fees	601,136	144,483	836,643	315,964
Acquisition costs	-	-	19,058	-
Bad debt	-	147,766	-	147,766
Marketing and advertising/promotion expenses	52,205	6,964	81,060	-
Software license and IT expenses	295,711	28,591	516,564	116,067
Telephone and internet	33,856	243,865	154,250	348,031
Travel	16,509	78,082	92,364	135,741
Investor relations and other shareholder expenses	75,939	38,552	141,223	58,108
Insurance	23,306	(2,726)	41,062	30,163
Office, administrative, and other operating expenses	160,899	(1,063)	302,847	68,455
FX (gain) loss	(54,651)	126,889	(306,900)	146,639
<b>Total</b>	<b>\$ 8,110,617</b>	<b>\$ 6,844,050</b>	<b>\$ 16,042,972</b>	<b>\$ 13,717,191</b>

**16. Employee benefit expense**

Expenditures for employee benefits are as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Salaries and wages and employee benefits	\$ 2,751,361	\$ 3,007,131	\$ 5,471,897	\$ 5,944,140
Contract labour	1,670,049	1,777,248	4,598,044	4,069,827
Stock-based compensation	483,253	90,280	530,978	114,581
Other staff expense	463,143	36,638	530,285	8,346
<b>Total</b>	<b>\$ 5,367,806</b>	<b>\$ 4,911,297</b>	<b>\$ 11,131,204</b>	<b>\$ 10,136,894</b>

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**17. Leases**

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Lease liabilities, beginning of period	\$ 575,397	\$ 854,934	\$ 689,644	\$ 1,072,426
Acquired leases through acquisition (note 16)	-	-	44,725	-
Net additions	-	-	12,199	-
Interest on lease liabilities	12,115	19,684	27,795	41,714
Interest payments on lease liabilities	(12,115)	(19,684)	(27,795)	(41,714)
Principal payments of lease liabilities	(114,760)	(98,641)	(194,602)	(151,813)
Adjustments	110,034	7,134	62,301	(166,251)
FX difference	26,506	2,625	(17,090)	11,690
Lease liabilities, end of period	\$ 597,177	\$ 766,052	\$ 597,177	\$ 766,052

**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 June 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.

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**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:

	June 30, 2020	June 30, 2019
United States	62%	72%
Australia	23%	23%
United Kingdom	11%	3%
Canada	3%	2%
Rest of world	1%	0%
	100%	100%

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

	June 30, 2020	December 31, 2019
Expected credit loss – beginning of year	\$ 902,215	\$ 769,930
Add: provision for expected credit loss	–	114,237
Less: write-offs	(768,022)	–
Foreign exchange adjustments	(37,099)	18,048
Expected credit loss – end of period	\$ 97,094	\$ 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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**VIQ Solutions Inc.****Notes to Consolidated Financial Statements (Restated – Note 19)****(Expressed in United States dollars)**

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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 June 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 \$18,000 (2019 – \$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 \$20,000 (2019 – \$52,000) as at June 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 – \$31,000) as June 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 \$306,900 for the six months ended June 30, 2020 (2019 – foreign exchange loss of \$146,639).

*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.

**19. Restatement**

Subsequent to the issuance of the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 on July 31, 2020, management had determined that these financial statements needed to be restated to correct for content and disclosure deficiencies.

Adjustments were made as at June 30, 2020 to reflect mandatory disclosures associated with the acquisitions executed during the first quarter of the fiscal year, as well as adjustments to correct material differences associated with the accounting for business combinations, the recognition of financial instruments, government assistance and the presentation of certain financing related costs. Refer to note 4, note 6 and note 9 of these financial statements for disclosures related to these transactions. The effects of the restatement on the condensed consolidated interim statement of financial position as at June 30, 2020, and the

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**19. Restatement (continued)**

condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2020 are summarized below:

	June 30, 2020	Adjustments	June 30, 2020 (Restated)
<b>Assets</b>			
Current assets			
Cash	\$ 5,384,207	-	\$ 5,384,207
Trade and other receivables, net of expected credit loss (note 5)	4,804,231	(8,021)	4,796,210
Inventories	49,402	-	49,402
Prepaid expenses and deposits	217,690	-	217,690
	10,455,530	(8,021)	10,447,509
Non-current assets			
Restricted cash	36,803	-	36,803
Property and equipment (note 10)	184,174	-	184,174
Right of use assets (note 13)	559,257	-	559,257
Intangible assets (note 7)	17,045,681	(2,533,286)	14,512,395
Goodwill (note 7)	7,196,564	2,528,527	9,725,091
Deferred tax assets	334,542	7,736	326,806
Total assets	\$ 35,812,551	(20,516)	\$ 35,792,035
<b>Liabilities</b>			
Current liabilities			
Trade and other payables (note 6)	\$ 6,652,376	1,274,018	\$ 7,926,394
Income tax payable	305,583	230,000	535,583
Share appreciation rights plan obligations (note 11)	248,853	(500)	248,353
Current portion of long-term debt (note 9)	1,056,366	91,090	1,147,456
Conversion feature derivative liability (note 9)	396,147	-	396,147
Current portion of lease obligations (note 17)	259,064	-	259,064
Provisions (note 8)	454,646	-	454,646
Contract liabilities	1,077,580	(1,000)	1,076,580
	10,450,115	1,594,108	12,044,223
Non-current liabilities			
Deferred tax liability	4,205	-	4,205
Long-term convertible debt (note 9)	222,001	-	222,001
Long-term debt (note 9)	13,091,541	1,603,258	11,488,283
Long-term contingent consideration (note 4)	3,712,717	-	3,712,717
Long-term lease obligations (note 17)	338,113	-	338,113
Long-term provisions (note 8)	133,649	-	133,649
Total liabilities	27,952,341	(9,150)	27,943,191
<b>Shareholders' equity</b>			
Capital stock (note 10)	34,491,380	-	34,491,380
Contributed surplus	4,779,637	-	4,779,637
Accumulated other comprehensive income (loss)	(285,384)	-	(285,384)
Deficit	(31,125,423)	(11,366)	(31,136,789)
	7,860,210	(11,366)	7,848,844
Total liabilities and shareholders' equity	\$ 35,812,551	(20,516)	\$ 35,792,035

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

## 19. Restatement (continued)

	Six Months ended June 30, 2020	Adjustments	Six Months ended June 30, 2020 (Restated)
<b>Revenue</b> (note 14)	<b>\$ 15,801,219</b>	-	<b>\$ 15,801,219</b>
Cost of sales	7,521,049	-	7,521,049
Gross profit	8,280,170	-	8,280,170
Expenses			
Selling and administrative expenses	5,467,766	-	5,467,766
Research and development expenses	461,858	-	461,858
Stock-based compensation (note 11)	530,978	-	530,978
Loss (Gain) on revaluation of conversion feature liability	490,811	(490,811)	-
Inducement of conversion of shares	1,290,147	(1,290,147)	-
Foreign exchange (gain) loss	(306,900)	-	(306,900)
Depreciation and amortization	2,624,935	(256,714)	2,368,221
	10,559,595	(2,037,672)	8,521,923
Profit (Loss) before interest, accretion, business acquisition and financing costs, and income taxes	(2,279,425)	(2,037,672)	(241,753)
Interest income	402	-	402
Interest expense (note 9)	(4,070,970)	-	(4,070,970)
Accretion and other financing expense (note 9)	(365,973)	(38,080)	(404,053)
Loss on revaluation of conversion feature liability (note 9)	-	(490,811)	(490,811)
Loss on repayment of long term debt (note 9)	-	(1,290,147)	(1,290,147)
Other (expense) income	(297)	-	(297)
Net loss before income taxes	(6,716,263)	218,634	(6,497,629)
Income tax expense	(214,275)	(230,000)	(444,275)
<b>Net loss for the period</b>	<b>\$ (6,930,538)</b>	<b>(11,366)</b>	<b>\$ (6,941,904)</b>
Exchange differences on translating foreign operations	(152,471)	2,145	(150,326)
<b>Comprehensive loss for the period</b>	<b>\$ (7,080,864)</b>	<b>(11,366)</b>	<b>\$ (7,092,230)</b>
<b>Net loss per share</b> (note 12)			
Basic	\$ (0.51)		\$ (0.41)
Diluted	\$ (0.51)		\$ (0.41)
Weighted average number of common shares outstanding – basic and diluted (note 12)	13,459,839		16,728,647

## VIQ Solutions Inc.

## Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

**19. Restatement (continued)**

	Six Months ended June 30, 2020	Adjustments	Six Months Ended June 30, 2020 (Restated)
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss for the period	\$ (6,930,538)	(11,366)	\$ (6,941,904)
Items not affecting cash:			
Depreciation and amortization	2,470,209	(256,714)	2,213,495
Depreciation – right of use assets	154,726	-	154,726
Stock-based compensation (note 11)	530,978	-	530,978
(Gain) loss on revaluation of conversion feature liability	489,952	859	490,811
Inducement of conversion of shares	1,290,147	(1,290,147)	-
Loss on repayment of long-term debt	-	1,290,147	1,290,147
Accretion and other financing expense	365,973	38,080	404,053
Interest expense, net	4,070,568	-	4,070,568
Income tax expense	214,275	230,000	444,275
Provisions	30,020	12,979	42,999
Deferred income tax expense (recovery)	-	7,736	7,736
Foreign exchange (gain) loss	(306,900)	-	(306,900)
Unrealized foreign exchange loss (gain)	(463,804)	(57,483)	(521,287)
Changes in non-cash operating working capital (note 13)	309,089	1,244,272	1,553,361
<b>Cash provided by (used in) operating activities</b>	<b>2,224,695</b>	<b>1,208,363</b>	<b>3,433,058</b>
<b>Investing activities</b>			
Purchase of property and equipment	(121,626)	-	(121,626)
Business acquisitions (note 4)	(4,411,500)	-	(4,411,500)
Development costs related to internally generated intangible assets	(698,116)	-	(698,116)
Change in restricted cash	733	-	733
<b>Cash used in investing activities</b>	<b>(5,230,509)</b>	<b>-</b>	<b>(5,230,509)</b>
<b>Financing activities</b>			
Proceeds from the exercise of stock options (note 10)	-	-	-
Proceeds from the exercise of warrants (note 10)	1,859,963	-	1,859,963
Proceeds from debt (note 9)	4,566,945	-	4,566,945
Net proceeds from Paycheck Protection Program loan	1,264,006	(1,264,006)	-
Repayment of debt (note 9)	(250,127)	-	(250,127)
Repayment of lease obligations	(222,397)	-	(222,397)
Payment of interest on debt	(460,889)	-	(460,889)
Lease advances	(27,795)	55,643	27,848
<b>Cash (used in) provided by financing activities</b>	<b>6,729,706</b>	<b>(1,208,363)</b>	<b>5,521,343</b>
<b>Net increase (decrease) in cash for the period</b>	<b>3,723,892</b>	<b>-</b>	<b>3,723,892</b>
Cash, beginning of period	1,707,654	-	1,707,654
Effect of exchange rate changes on cash	(47,339)	-	(47,339)
<b>Cash, end of period</b>	<b>\$ 5,384,207</b>	<b>-</b>	<b>\$ 5,384,207</b>

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VIQ Solutions Inc.

Notes to Consolidated Financial Statements (Restated – Note 19)

(Expressed in United States dollars)

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**19. Restatement (continued)**

The correction of these errors did not result in any changes to the Company's condensed consolidated interim statement of financial position, condensed consolidated interim statement of loss and comprehensive loss, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows for the comparative period presented.