



## **VIQ Solutions Inc.**

Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2023 and 2022  
(unaudited)

(Expressed in United States dollars)

VIQ Solutions Inc.

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

|  | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| <b>Assets</b>  |                    |                   |
| Current assets   |                    |                   |
| Cash   | \$ 1,733,477       | \$ 1,657,571      |
| Trade and other receivables, net of allowance for doubtful accounts (note 4) | 5,002,727          | 5,305,728         |
| Income taxes recoverable   | 27,538             | 104,670           |
| Inventories  | 33,874             | 37,807            |
| Other current assets   | 1,969,760          | 2,050,661         |
|  | 8,767,376          | 9,156,437         |
| Non-current assets   |                    |                   |
| Restricted cash  | 246,251            | 463,743           |
| Property and equipment, net  | 1,072,141          | 1,432,133         |
| Right-of-use assets, net   | 607,455            | 1,058,600         |
| Intangible assets, net (note 5)  | 8,498,527          | 10,731,917        |
| Goodwill (note 5)  | 11,779,054         | 12,047,048        |
| Deferred tax assets (note 15)  | –                  | 655,004           |
| Total assets   | \$ 30,970,804      | \$ 35,544,882     |
| <b>Liabilities</b>   |                    |                   |
| Current liabilities  |                    |                   |
| Trade and other payables and accrued liabilities                             | \$ 7,370,371       | \$ 5,937,880      |
| Income taxes payable   | 25,610             | 45,212            |
| Share-based payment liability (note 8)                                       | 23,910             | 31,487            |
| Derivative warrant liability (note 7)  | 161,169            | 290,712           |
| Current portion of long-term debt (note 6)                                   | 188,584            | 8,634,258         |
| Current portion of lease obligations (note 14)                               | 308,458            | 487,673           |
| Contract liabilities   | 1,895,578          | 1,745,415         |
|  | 9,973,680          | 17,172,637        |
| Non-current liabilities  |                    |                   |
| Deferred tax liability   | 373,692            | 868,643           |
| Long-term debt (note 6)  | 10,521,271         | 19,812            |
| Long-term lease obligations (note 14)  | 411,913            | 718,575           |
| Other long-term liabilities  | 1,058,464          | 1,121,805         |
| Total liabilities  | 22,339,020         | 19,901,472        |
| <b>Shareholders' equity</b>  |                    |                   |
| Capital stock (notes 7 and 8)  | 76,228,950         | 74,690,527        |
| Contributed surplus (note 9)   | 8,649,766          | 5,892,192         |
| Accumulated other comprehensive loss   | (1,125,117)        | (1,214,354)       |
| Deficit  | (75,121,815)       | (63,724,955)      |
| Total shareholders' equity   | 8,631,784          | 15,643,410        |
| Total liabilities and shareholders' equity                                   | \$ 30,970,804      | \$ 35,544,882     |

See accompanying notes to interim condensed consolidated financial statements.

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, |                |
|--|----------------------------------|----------------|---------------------------------|----------------|
|  | 2023                             | 2022           | 2023                            | 2022           |
| <b>Revenue</b> (note 13)   | \$ 10,102,827                    | \$ 11,785,713  | \$ 30,674,291                   | \$ 35,662,349  |
| Cost of sales  | 5,770,743                        | 6,208,528      | 17,279,369                      | 18,501,913     |
| Gross profit   | 4,332,084                        | 5,577,185      | 13,394,922                      | 17,160,436     |
| <b>Expenses</b>  |                                  |                |                                 |                |
| Selling and administrative expenses                                      | 5,495,347                        | 5,960,010      | 16,262,292                      | 18,628,758     |
| Research and development expenses  | 186,769                          | 164,849        | 520,734                         | 642,291        |
| Stock-based compensation (notes 8 and 9)                                 | 54,974                           | 681,193        | 893,101                         | 2,173,969      |
| Gain on revaluation of options (note 8)                                  | –                                | –              | –                               | (1,063,662)    |
| Gain on revaluation of RSUs (note 8)                                     | (50,103)                         | (137,224)      | (170,091)                       | (445,682)      |
| Gain on revaluation of the derivative warrant liability (note 7)         | (543,114)                        | (2,477,746)    | (408,600)                       | (3,524,526)    |
| Foreign exchange loss (gain) (note 16)                                   | 43,287                           | (151,354)      | 689,575                         | 597,209        |
| Depreciation   | 209,755                          | 156,916        | 619,310                         | 432,483        |
| Amortization (note 5)  | 1,042,071                        | 1,115,721      | 3,478,045                       | 3,219,135      |
| Interest expense (note 6)  | 343,882                          | 234,892        | 996,974                         | 815,733        |
| Accretion and other financing costs (note 6)                             | 742,933                          | 466,316        | 1,147,219                       | 755,596        |
| Loss (gain) on contingent consideration                                  | –                                | 11,807         | (10,389)                        | 107,879        |
| Impairment of goodwill and intangible assets (note 5)                    | –                                | –              | 157,464                         | –              |
| Loss on extinguishment of debt (note 6)                                  | –                                | 747,865        | –                               | 747,865        |
| Restructuring costs  | 474,597                          | 134,582        | 531,463                         | 303,690        |
| Business acquisition costs   | –                                | 23,339         | –                               | 418,856        |
| Other income   | (12,031)                         | (170)          | (21,438)                        | (899)          |
| Total expenses   | 7,988,367                        | 6,930,996      | 24,685,659                      | 23,808,695     |
| Current income tax expense (recovery)                                    | 7,990                            | (97,827)       | (32,101)                        | 74,815         |
| Deferred income tax expense (recovery) (note 15)                         | 714,743                          | 73,956         | 138,224                         | (185,081)      |
| Income tax expense (recovery)  | 722,733                          | (23,871)       | 106,123                         | (110,266)      |
| <b>Net loss for the period</b>   | \$ (4,379,016)                   | \$ (1,329,940) | \$ (11,396,860)                 | \$ (6,537,993) |
| Exchange gain (loss) on translation of foreign operations                | (328,952)                        | (823,213)      | 89,237                          | (859,718)      |
| <b>Comprehensive loss for the period</b>                                 | \$ (4,707,968)                   | \$ (2,153,153) | \$ (11,307,623)                 | \$ (7,397,711) |
| <b>Net loss per share</b> (note 10)                                      |                                  |                |                                 |                |
| Basic  | (0.11)                           | (0.04)         | (0.32)                          | (0.21)         |
| Diluted  | (0.11)                           | (0.04)         | (0.32)                          | (0.21)         |
| Weighted average number of common shares outstanding – basic (note 10)   | 38,804,967                       | 32,749,800     | 36,078,834                      | 30,854,262     |
| Weighted average number of common shares outstanding – diluted (note 10) | 38,804,967                       | 32,749,800     | 36,078,834                      | 30,854,262     |

See accompanying notes to interim condensed consolidated financial statements.

VIQ Solutions Inc.  
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in United States dollars, unaudited)

|   | Capital stock |               | Contributed surplus | Deficit         | Accumulated other comprehensive income(loss) | Total shareholders' equity |
|---|---------------|---------------|---------------------|-----------------|--|----------------------------|
|   | Number        | Amount        |                     |                 |  |                            |
| <b>Balance as at December 31, 2022</b>                            | 34,649,697    | \$ 74,690,527 | \$ 5,892,192        | \$ (63,724,955) | \$ (1,214,354)                               | \$ 15,643,410              |
| Comprehensive loss for the period                                 | –             | –             | –                   | (11,396,860)    | 89,237                                       | (11,307,623)               |
| Warrants issued due to debt financing costs (note 6)              | –             | –             | 2,119,914           | –               | –  | 2,119,914                  |
| Shares issued due to private placement (note 7)                   | 5,800,000     | 1,443,811     | –                   | –               | –  | 1,443,811                  |
| Shares issued due to exercise of restricted share units (note 8)  | 323,515       | 83,527        | (83,085)            | –               | –  | 442                        |
| Shares issued due to exercise of performance share units (note 8) | 40,000        | 11,085        | (11,085)            | –               | –  | –                          |
| Share cancellation  | (1,060)       | –             | –                   | –               | –  | –                          |
| Stock-based compensation (note 9)                                 | –             | –             | 731,830             | –               | –  | 731,830                    |
| <b>Balance as at September 30, 2023</b>                           | 40,812,152    | \$ 76,228,950 | \$ 8,649,766        | \$ (75,121,815) | \$ (1,125,117)                               | \$ 8,631,784               |

|  | Capital stock |               | Contributed surplus | Deficit         | Accumulated other comprehensive income (loss) | Total shareholders' S equity |
|--|---------------|---------------|---------------------|-----------------|---|------------------------------|
|  | Number        | Amount        |                     |                 |   |                              |
| <b>Balance as at December 31, 2021</b>                           | 29,881,717    | \$ 72,191,764 | \$ 4,842,208        | \$ (55,018,940) | \$ 74,526                                     | \$ 22,089,558                |
| Comprehensive loss for the period                                | –             | –             | –                   | (6,537,993)     | (859,718)                                     | (7,397,711)                  |
| Shares issued due to private placement (note 7)                  | 3,551,852     | 1,886,497     | –                   | –               | –   | 1,886,497                    |
| Shares issued due to exercise of restricted share units (note 8) | 122,227       | 153,802       | (210,509)           | –               | –   | (56,707)                     |
| Stock-based compensation (note 9)                                | –             | –             | 1,119,225           | –               | –   | 1,119,225                    |
| <b>Balance as at September 30, 2022</b>                          | 33,555,796    | \$ 74,232,063 | \$ 5,750,924        | \$ (61,556,933) | \$ (785,192)                                  | \$ 17,640,862                |

See accompanying notes to interim condensed consolidated financial statements.

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

|   | Three months ended September 30, |                     | Nine months ended September 30, |                     |
|---|----------------------------------|---------------------|---------------------------------|---------------------|
|   | 2023                             | 2022                | 2023                            | 2022                |
| <b>Operating activities</b>   |                                  |                     |                                 |                     |
| Net loss for the period   | \$ (4,379,016)                   | \$ (1,329,940)      | \$ (11,396,860)                 | \$ (6,537,993)      |
| Items not affecting cash:   |                                  |                     |                                 |                     |
| Depreciation  | 209,755                          | 156,916             | 619,310                         | 432,483             |
| Amortization  | 1,042,071                        | 1,115,721           | 3,478,045                       | 3,219,135           |
| Stock-based compensation (note 9)   | 54,974                           | 681,193             | 893,101                         | 2,173,969           |
| Accretion and other financing costs (note 6)  | 742,933                          | 466,316             | 1,147,219                       | 755,596             |
| Interest expense (note 6)   | 343,882                          | 234,722             | 996,974                         | 815,732             |
| Income tax expense (recovery)   | 722,732                          | (23,871)            | 106,122                         | (110,266)           |
| Gain on contingent consideration  | –                                | 11,807              | (10,389)                        | 107,879             |
| Impairment of goodwill and intangible assets (note 5)                                 | –                                | –                   | 157,464                         | –                   |
| Gain on revaluation of options, RSUs, and derivative warrant liability (note 7 and 8) | (593,217)                        | (2,614,970)         | (578,691)                       | (5,033,870)         |
| Loss on extinguishment of debt (note 6)   | –                                | 747,865             | –                               | 747,865             |
| Other (income) expense  | (12,031)                         | 899                 | (21,438)                        | 899                 |
| Foreign exchange loss (gain)  | 43,287                           | (151,354)           | 689,575                         | 597,209             |
| Unrealized foreign exchange (gain) loss   | (87,376)                         | (336,861)           | 30,688                          | (325,788)           |
| Changes in non-cash operating working capital (note 11)                               | 527,079                          | (752,824)           | 2,046,744                       | 1,472,955           |
| <b>Cash used in operating activities</b>  | <b>(1,384,927)</b>               | <b>(1,794,381)</b>  | <b>(1,842,136)</b>              | <b>(1,684,195)</b>  |
| <b>Investing activities</b>   |                                  |                     |                                 |                     |
| Purchase of property and equipment  | –                                | (659,816)           | (19,828)                        | (897,702)           |
| Earn-out payment  | (85,575)                         | (552,294)           | (241,135)                       | (745,798)           |
| Development costs related to internally generated intangible assets (note 5)          | (509,448)                        | (420,549)           | (1,502,123)                     | (1,334,143)         |
| Change in restricted cash   | –                                | –                   | –                               | (234,286)           |
| <b>Cash used in investing activities</b>  | <b>(595,023)</b>                 | <b>(1,632,659)</b>  | <b>(1,763,086)</b>              | <b>(3,211,929)</b>  |
| <b>Financing activities</b>   |                                  |                     |                                 |                     |
| Issuance of share capital, net of issuance costs (note 8)                             | 1,722,868                        | 4,418,325           | 1,722,868                       | 4,418,325           |
| Proceeds from debt, net of issuance costs (note 6)                                    | 957,130                          | –                   | 11,976,015                      | –                   |
| Payment of amendment fees on debt (note 6)  | –                                | –                   | –                               | (239,880)           |
| Repayment of debt (note 6)  | (168,899)                        | (173,521)           | (8,420,059)                     | (4,616,975)         |
| Repayment of lease obligations (note 14)  | (214,186)                        | (69,338)            | (351,405)                       | (186,658)           |
| Payment of interest on debt (note 6)  | (321,751)                        | (210,438)           | (1,122,704)                     | (841,724)           |
| Payment of interest on lease obligations (note 14)                                    | (19,963)                         | (23,773)            | (66,059)                        | (78,764)            |
| <b>Cash provided by (used in) financing activities</b>                                | <b>1,955,199</b>                 | <b>3,941,255</b>    | <b>3,738,656</b>                | <b>(1,545,676)</b>  |
| <b>Net (decrease) increase in cash for the period</b>                                 | <b>(24,751)</b>                  | <b>514,215</b>      | <b>133,434</b>                  | <b>(6,441,800)</b>  |
| Cash, beginning of period   | 1,792,375                        | 3,491,907           | 1,657,571                       | 10,583,534          |
| Effect of exchange rate changes on cash   | (34,147)                         | (151,349)           | (57,528)                        | (286,961)           |
| <b>Cash, end of period</b>  | <b>\$ 1,733,477</b>              | <b>\$ 3,854,773</b> | <b>\$ 1,733,477</b>             | <b>\$ 3,854,773</b> |

See accompanying notes to interim condensed consolidated financial statements.

VIQ Solutions Inc.  
Notes to Interim Condensed Consolidated Financial Statements  
(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.

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 head office is located at 700 – 5915 Airport Road, Mississauga, Ontario, L4V 1T1. VIQ is a public company and the Company graduated from the Toronto Venture Exchange to the Toronto Stock Exchange in 2021. The Company’s common shares began trading on the TSX and Nasdaq, under trading symbol VQS, at the market open on January 21, 2021, and August 12, 2021, respectively. The Company’s common shares was suspended from trading on Nasdaq on October 5, 2023 due to failure to satisfy the \$1.00 minimum bid price listing requirement by Nasdaq.

**2. Basis of preparation**

(a) Statement of compliance

The Company prepares its interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), IAS 34, *Interim Financial Reporting* and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations, as issued by the International Accounting Standards Board (“IASB” or the “Board”) and using the same accounting policies as described in the Company’s December 31, 2022 consolidated financial statements. The preparation of the interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements, are disclosed in notes 2(d) and 3.

These interim condensed consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on November 13, 2023.

(b) Basis of preparation

The notes presented in these interim condensed consolidated financial statements include only significant changes and transactions occurring since the Company’s last year-end and are not fully inclusive of all disclosures required by IFRS. These interim condensed 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, 2022 and 2021. The interim condensed 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.

Going concern uncertainty

The Company’s interim condensed consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. As of September 30, 2023, the Company has cash and cash equivalents of \$1,733,477 and negative working capital. The Company has incurred recurring losses, has not yet achieved profitable operations, has a deficit of \$75,121,815 since its inception. Cash flow from operations was negative for the three and nine months ended September 30, 2023 and financial waivers were obtained in relation to Beedie Note Payable for the three months ended September 30, 2023. These matters, when considered

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Notes to Interim Condensed Consolidated Financial Statements  
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in the aggregate, indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern for at least 12 months from the issuance of these interim condensed consolidated financial statements. In view of these matters, continuation as a going concern is dependent upon the continued operations of the Company, which will be determined by the Company's ability to meet its financial requirements, including financial covenants within its debt agreements and its ability to raise additional capital.

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

(c) Functional currency, presentation currency and foreign currency translation

| Company/Subsidiary               | Functional currency |
|----------------------------------|---------------------|
| VIQ Solutions Inc.               | CAD                 |
| Dataworxs Systems Limited        | CAD                 |
| VIQ Solutions, Inc.              | USD                 |
| VIQ Australia PTY Ltd.           | AUD                 |
| Dataworxs Systems Australia Ltd. | AUD                 |
| VIQ Solutions PTY Ltd.           | AUD                 |
| VIQ Solutions Australia PTY Ltd. | AUD                 |
| VIQ PTY Ltd.                     | AUD                 |
| VIQ Australia Services PTY Ltd.  | AUD                 |
| VIQ Services Inc.                | USD                 |
| Net Transcripts, Inc.            | USD                 |
| HomeTech, Inc.                   | USD                 |
| Transcription Express, Inc.      | USD                 |
| VIQ Media Transcription Inc.     | USD                 |
| wordZexpressed, Inc.             | USD                 |
| VIQ Solutions (UK) Limited       | GBP                 |
| VIQ Services (UK) Limited        | GBP                 |
| The Transcription Agency LLP     | GBP                 |

All financial information is presented in USD unless otherwise stated.

| USD / CAD exchange rate       | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|--------------------|-------------------|--------------------|
| Closing at the reporting date | 0.7364             | 0.7370            | 0.7302             |
| Average rate for the period   | 0.7453             | 0.7685            | 0.7663             |

  

| USD / AUD exchange rate       | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|--------------------|-------------------|--------------------|
| Closing at the reporting date | 0.6435             | 0.6805            | 0.6491             |
| Average rate for the period   | 0.6543             | 0.6940            | 0.6835             |

  

| USD / GBP exchange rate       | September 30, 2023 | December 31, 2022 | September 30, 2022 |
|-------------------------------|--------------------|-------------------|--------------------|
| Closing at the reporting date | 1.2203             | 1.2103            | 1.1157             |
| Average rate for the period   | 1.2656             | 1.2368            | 1.1765             |

The financial results of each subsidiary consolidated in the Company's interim condensed consolidated financial statements are measured using the subsidiary's functional currency, which is the currency of the primary economic environment in which

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

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the entity operates for each of the Company's wholly owned subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the interim condensed consolidated statements of loss and comprehensive loss.

The financial statements of entities that have a functional currency different from the presentation currency of USD are translated into USD as follows: assets and liabilities at the closing rate at the date of the interim condensed consolidated statement of financial position, and income and expenses at the average rate of the period as this is considered a reasonable approximation to actual rates. All resulting changes are recognized in other comprehensive income (loss) as translation adjustments.

The Company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the parent company's net investment in that foreign operation. Such exchange differences are recognized initially in other comprehensive income (loss) and reclassified from equity to net loss on disposal of the net investment in foreign operation.

(d) Use of estimates and judgments

The preparation of the interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of the Company's accounting policies and the amounts reported in the interim condensed consolidated financial statements and the related notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the assumptions utilized in these interim condensed consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized prospectively. The estimates are impacted by many factors, some of which are highly uncertain and actual results may differ from those estimates.

**3. Significant accounting policies**

(a) Significant accounting policies, estimates and judgments

The preparation of the interim condensed consolidated 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.

**Going concern** - In the preparation of financial statements, management is required to identify when events or conditions indicate that substantial doubt may exist about the Company's ability to continue as a going concern. Substantial doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, 12 months from the balance sheet date. When the Company identifies conditions or events that raise potential for substantial doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential substantial doubt.

The Company's ability to continue as a going concern for the next 12 months involves significant judgment and is dependent on its ability to improve its sales and generate positive cash flow from operations and successful cost reduction from workforce optimization.

Other significant estimates and judgments made by the Company include the following:

- Stock-based compensation
- Warrants
- Internally generated development

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(Expressed in United States dollars)

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- Functional currency
- Income taxes
- Allocation of the transaction price to multiple performance obligations in contracts with customers
- Allowance for doubtful accounts
- Goodwill impairment testing and recoverability of assets
- Purchase price allocation
- Contingency consideration
- Incremental borrowing rate used to discount leases
- Property and equipment and definite life intangible assets

(b) New accounting pronouncements adopted in 2023

Deferred Tax related Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has concluded there is no impact of adopting these amendments on its interim consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*. The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has concluded there is no impact of adopting these amendments on its interim consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has concluded there is no impact of adopting these amendments on its interim consolidated financial statements.

Other standards

The following new and amended standard did not have a significant impact on the Company's consolidated financial statements.

- *Reference to Conceptual Framework (Amendments to IFRS 3)*.

(iii) Standards and interpretations issued but not yet effective

In October 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments are based on those originally set out in the Exposure Draft ED/2021/9, *Non-current Liabilities with Covenants, Proposed Amendments to IAS 1* (the ED). In the amendments, the Board clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within 12 months after the reporting period. The amendments will be effective for annual periods beginning on or after January 1, 2024 with early adoption permitted. The Company is currently assessing the impact of these amendments.

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**4. Trade and other receivables**

|                                       | September 30, 2023  | December 31, 2022   |
|---------------------------------------|---------------------|---------------------|
| Trade accounts receivable             | \$ 4,536,668        | \$ 4,956,613        |
| Other receivables                     | 825,605             | 748,585             |
| Less: allowance for doubtful accounts | (359,546)           | (399,470)           |
|                                       | <b>\$ 5,002,727</b> | <b>\$ 5,305,728</b> |

As at September 30, 2023, other receivables relate to unbilled revenue of \$740,710 (December 31, 2022 - \$634,226) and sales tax receivable and other receivables of \$84,895 (December 31, 2022 - \$114,359).

**5. Intangible assets and goodwill**

Details of the Company's intangible assets as at September 30, 2023 are listed as follows:

|  | December 31, 2022    | Additions        | Impairment       | Foreign exchange | September 30, 2023   |
|--|----------------------|------------------|------------------|------------------|----------------------|
| <b>Cost</b>                            |                      |                  |                  |                  |                      |
| Customer relationships                 | \$ 15,303,650        | –                | –                | (131,167)        | \$ 15,172,483        |
| Technology                             | 470,000              | –                | –                | –                | 470,000              |
| Non-compete                            | 118,945              | –                | –                | (6,450)          | 112,495              |
| Brand                                  | 2,379,289            | –                | –                | (85,091)         | 2,294,198            |
| Patents                                | 15,232               | –                | –                | (1,169)          | 14,063               |
| Internally generated intangible assets | 10,587,379           | 1,502,123        | (157,464)        | (6,797)          | 11,925,241           |
|  | <b>\$ 28,874,495</b> | <b>1,502,123</b> | <b>(157,464)</b> | <b>(230,674)</b> | <b>\$ 29,988,480</b> |
| <b>Accumulated amortization</b>        |                      |                  |                  |                  |                      |
| Customer relationships                 | 9,058,485            | 2,032,820        | –                | (50,659)         | 11,040,646           |
| Technology                             | 470,000              | –                | –                | –                | 470,000              |
| Non-compete                            | 126,431              | 17,594           | –                | (56,953)         | 87,072               |
| Brand                                  | 1,945,161            | 371,273          | –                | (22,236)         | 2,294,198            |
| Patents                                | –                    | 827              | –                | (7)              | 820                  |
| Internally generated intangible assets | 6,542,501            | 1,055,531        | –                | (815)            | 7,597,217            |
|  | <b>18,142,578</b>    | <b>3,478,045</b> | <b>–</b>         | <b>(130,670)</b> | <b>21,489,953</b>    |
| <b>Net book value</b>                  | <b>\$ 10,731,917</b> |                  |                  |                  | <b>\$ 8,498,527</b>  |

Details of the Company's goodwill as of September 30, 2023 are listed as follows:

|               | December 31, 2022    | Foreign exchange | September 30, 2023   |
|---------------|----------------------|------------------|----------------------|
| VIQ Australia | \$ 5,036,815         | (273,609)        | \$ 4,763,206         |
| Dataworxs     | 132,446              | (108)            | 132,338              |
| VIQ US        | 3,570,275            | –                | 3,570,275            |
| VIQ Media     | 2,614,802            | –                | 2,614,802            |
| VIQ UK        | 692,710              | 5,723            | 698,433              |
|               | <b>\$ 12,047,048</b> | <b>(267,994)</b> | <b>\$ 11,779,054</b> |

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**6. Long-term debt**

|  | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| Beedie Investments Ltd. note payable (a)             | \$ 10,521,271      | \$ –              |
| Crown Capital Funding Partner LP note payable (b)    | –                  | 7,972,790         |
| Unsecured HomeTech interest-free promissory note (c) | 78,331             | 263,539           |
| Unsecured WordZ 5% promissory note (c)               | 110,253            | 417,741           |
| Less: current portion of long-term debt              | (188,584)          | (8,634,258)       |
|  | \$ 10,521,271      | \$ 19,812         |

(a) Beedie Investments Ltd. note payable

On January 13 2023, the Company entered into a secured debt facility (“Note Payable”) with Beedie Investments Ltd. (“Beedie”) of \$12,000,000 bearing (i) an interest rate of 9.5% payable monthly, (ii) interest rate of 1.5% payable monthly on \$3,000,000 available to be drawn subsequently subject to certain conditions and (iii) interest rate of 3% to be paid-in-kind per annum compounded monthly and added to the outstanding principal amount of the Note Payable and to be repaid on January 16, 2027. The Note Payable is secured by a general security agreement covering all assets of the Company. The outstanding principal balance of the Note Payable is repayable on January 16, 2027.

Under the Note Payable, the Company has undertaken to comply with financial covenants regarding a minimum balance of unrestricted cash and cash equivalents, minimum adjusted monthly EBITDA and maximum total leverage.

In connection with the Note Payable, 7,968,750 common share purchase warrants were issued to Beedie on January 16, 2023. Each warrant is convertible into one common share in the capital of the Company at a price per share equal to \$0.256 until January 16, 2030. The Company recorded \$2,010,223 reflecting the fair value of the 7,968,750 warrants associated with the loan payable as a reduction to the principal amount of \$12,000,000 and the amount was recorded into equity. The Company calculated the fair value of \$2,190,197 using the Black-Scholes pricing model with the following assumptions: a share price of \$0.50 CDN, an exercise price of \$0.35 CDN, a volatility of 69.78%, an expected life of 7.0 years, a dividend yield of 0.0%, and a risk -free interest rate of 2.85%.

In addition, the Company has agreed to issue additional common share purchase warrants in connection with the subsequent advances, with such number of warrants to be equal to 17% of the amount of such subsequent advance divided by the exercise price of such subsequent warrants. The subsequent warrants are to have an exercise price equal to the five-day volume weighted average price of the Company’s common shares immediately prior to the earlier of: (i) the announcement of the applicable subsequent advance, and (ii) the funding of the applicable subsequent advance.

The Company incurred transactions costs of \$981,115 associated with establishing the Note Payable; \$179,974 of transaction costs were deducted from the fair value of warrants of \$2,190,197 based on the relative fair value, which resulted in \$2,010,223 being credited to contributed surplus.

The Note Payable of \$9,008,662 was determined using relative fair value, and transaction costs were allocated to the host debt instrument based on relative fair value and are being accreted to the face value of \$12,000,000 over the term of four years. The transaction costs are recognized as accretion and other financing costs over the term of the loan.

On July 25, 2023, in connection with the Company’s Note Payable, the Company has drawn an additional \$1,000,000 (“Subsequent Advance”) from the \$3,000,000 available, increasing the outstanding principal amount of the Note Payable to \$13,000,000. The Company incurred \$42,870 in transaction costs were incurred and were recorded as an offset to the Note Payable. The Note Payable is subject to 9.5% interest payable monthly. In connection with the Subsequent Advance, the Company has issued 497,423 common share purchase warrants to Beedie. Each warrant is exercisable to purchase one common share of the Company at an exercise price of CDN\$0.45 per warrant share. The warrants expire on July 25, 2030.

During the three months and nine months ended September 30, 2023, the Company recorded interest expense of \$319,012 and \$881,426, respectively, representing the cash interest payable monthly and \$219,517 and \$579,717, respectively, recorded as accretion and other financing costs related to the Note Payable in the interim condensed consolidated statements of loss and comprehensive loss.

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On September 29, 2023, the Company amended the Note Payable agreement, which reduced the minimum balance of unrestricted cash and cash equivalent covenants up to November 30, 2023 and removed the minimum monthly adjusted EBITDA and maximum total leverage covenants up to September 30, 2023. As part of the waiver obtained, the Company agreed to pay Beedie \$88,418, which has been added to the outstanding principal amount of the loan to be repaid on January 16, 2027 and bear the same interest of 9.5% interest payable monthly interest rate of 3% to be paid-in-kind per annum compounded monthly and added to the outstanding principal amount of the Note Payable and to be repaid on January 13, 2027.

(b) Crown Capital Funding Partner LP note payable

During the year ended December 31, 2018, the Company entered into a secured debt facility with Crown Capital Funding Partner LP ("Crown") of \$11,317,500 (CAD\$15,000,000) bearing an interest rate of 10% payable quarterly. The loan was secured by a general security agreement covering all assets of the Company. Additionally, during the period ended September 30, 2020, the Company cancelled 450,000 previously issued common share purchase warrants and reissued new warrants to 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 \$84,287 (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 as at September 30, 2020. The Company incurred fees of \$353,115 (CAD\$450,000) associated with establishing the amended debt facility, which were recorded as a reduction in the carrying value of the note payable. During the three and nine months ended September 30, 2023, the Company recorded interest expense of \$nil and \$34,276, respectively (three and nine months ended September 30, 2022 - \$201,650 and \$706,623 respectively).

The difference between the face value and ascribed value of the note payable is 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 costs over the term of the loan. During the three and nine months ended September 30, 2023, the Company recorded \$nil (three and nine months ended September 30, 2022 - \$110,515 and \$198,157, respectively) of accretion and other financing costs related to the note payable in the interim condensed consolidated statements of loss and comprehensive loss.

The Company signed an amendment related to the Crown debt facility that required the Company to pay \$4,005,768 (CAD\$5,000,000) of the principal balance on March 30, 2022 and pay an amendment fee of approximately \$239,880 (CAD\$300,000). The interest on the Crown debt facility remained at 10% annual interest, and future interest payments were reduced to the reduced principal amount. The amendment did not result in the terms of the original agreement being substantially modified; as such, the transaction is accounted for as a modification of the old debt. The amended secured debt facility waived the Fixed Charge Coverage Ratio for the quarter ended December 31, 2022 and the Net Debt to EBITDA ratio for quarters ended March 31, 2022 and June 30, 2022. Additional financial covenants were added to the amended Crown debt facility, which include restrictions on the amount of selling, administrative and research and development costs and restrictions on capital expenditure (including internally generated intangible assets and capitalized assets) in each of the respective quarters ended June 30, 2022, September 30, 2022 and December 31, 2022.

On January 13, 2023, the Company fully repaid the debt outstanding of \$7,897,356 (CAD\$10,550,000), which included a prepayment fee of \$74,000 (CAD \$100,000) for repaying the debt in advance of the maturity date November 28, 2023.

(c) Unsecured promissory notes

As part of the acquisition of HomeTech, the Company issued an unsecured interest-free promissory note to the former owners of HomeTech with a face value of \$1,200,000, to be paid monthly for 60 months in equal installments of \$20,000 beginning February 25, 2019 to the period ending January 25, 2024. During the quarter ended September 30, 2023, the Company repaid a total principal of \$200,000 (quarter ended September 30, 2022 - \$180,000). The Company recorded the unsecured promissory note by discounting the principal amounts due using a market annual interest rate of 12%. The difference between the present value and the face value is being accreted over the term of the unsecured promissory notes. The Company recorded an accretion expense of \$3,491 and \$14,792 for the three and nine months ended September 30, 2023, respectively (three and nine months ended September 30, 2022 - \$9,368 and \$32,302, respectively).

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 note is being accreted over the life of the note. During the three and nine months ended September 30,

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2023, the Company recorded interest expense of \$1,455 and \$8,347, respectively (three and nine months ended September 30, 2022 – \$7,261 and \$24,562, respectively) and accretion expense of \$3,387 and \$19,079, respectively (three and nine months ended September 30, 2022 - \$15,035 and \$52,210, respectively). In addition, the Company repaid \$322,703 during the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$307,037).

## 7. Derivative warrant liability

On August 1, 2023, the Company completed a private placement offering (the “2023 Offering”). The Company sold 5,800,000 units (the “Units”) at a price per Unit of \$0.31 for aggregate gross proceeds of \$1,798,000 before the deduction of related transaction costs. Each Unit consists of one common share of the Company and one-half of one Common Share purchase warrant. Each warrant will entitle the holder thereof to acquire one Common Share at an exercise price of \$0.31 per Common Share until June 30, 2024. The issuance included 1,583,333 Units under the 2023 Offering made to Brad Wells, a member of the Board of Directors and constitutes a related party transaction. Issuance costs of \$80,326 were incurred with \$67,644 being recorded as a reduction of common shares and \$12,682 recorded in accretion and other financing costs.

On July 21, 2022, the Company completed a private placement offering to institutional investors (“PIPE”). Under the PIPE, the Company sold 3,551,852 units (the “Units”) at a price of \$1.35 per Unit for gross proceeds to the Company of approximately \$4,800,000 before the deduction of any fees and other PIPE expenses. Each Unit consists of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (“Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.39 per share. The Warrants will be exercisable beginning on January 21, 2023 and will expire on July 21, 2027. Issuance costs of \$741,000 were incurred with \$344,000 being recorded as a reduction of common shares and \$397,000 recorded in accretion and other financing costs.

On September 15, 2021, the Company closed its direct offering with institutional investors (the “Offering”). Under the Offering, the Company sold 4,235,294 units (the “Units”) at a price of \$4.25 per Unit for gross proceeds to the Company of approximately \$18,000,000 before the deduction of any fees and other estimated Offering expenses. Each Unit consists of one and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a “Warrant”). A total of 2,117,647 Warrants were issued. Each Warrant entitles the shareholder thereof to purchase one Common Share (a “Warrant Share”) at an exercise price of \$5.00. The Warrants were exercisable as at March 15, 2022 and will expire five years from the issuance date on September 14, 2026.

In accordance with IFRS, a contract for the issuance of equity instruments that fails to meet the fixed for fixed criteria, i.e., issue a fixed number of shares for a fixed amount of cash or another financial asset, fails to meet the definition of equity. The exercise price for the Warrants issued under the PIPE and 2021 and 2023 Offerings are denominated in US currency, which differs from the CAD functional currency of the issuing entity. As a result, the Warrants are recorded as a derivative warrant liability since the Company will be receiving cash in a currency other than the issuing entity’s functional currency and therefore is deemed to be variable.

The derivative warrant liability is measured at fair value with changes in fair value recognized in the interim condensed consolidated statements of loss and comprehensive loss at each year-end. The derivative warrant liability will ultimately be converted into the Company’s equity (common shares) when the Warrants are exercised or will be extinguished on the expiry of the outstanding Warrants and will not result in the outlay of any cash by the Company.

The Company uses the Black-Scholes option pricing model to estimate fair value at initial recognition and at each reporting date. The Company considers expected volatility of its common shares in estimating its future stock price volatility. The risk-free interest rate for the life of the Warrants was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of issue and at the time of revaluation. The life of Warrants are based on an estimated exercise term.

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The following are assumptions used by the Company to determine fair value for the quarter ended September 30, 2023:

**2023 Offering - August 1, 2023**

|                       | September 30, 2023 | August 1, 2023 initial recognition |
|-----------------------|--------------------|------------------------------------|
| Fair value (CAD)      | \$0.03             | \$0.13                             |
| Share price (CAD)     | \$0.23             | \$0.39                             |
| Exercise price (USD)  | \$0.31             | \$0.31                             |
| Expected volatility   | 82.11%             | 90.96%                             |
| Risk-free rate        | 4.83%              | 4.78%                              |
| Expected life (years) | 0.75               | 0.92                               |
| Expected dividends    | 0%                 | 0%                                 |

**PIPE - July 21, 2022**

|                       | September 30, 2023 | December 31, 2022 | July 21, 2022 initial recognition |
|-----------------------|--------------------|-------------------|-----------------------------------|
| Fair value (CAD)      | \$0.04             | \$0.10            | \$0.93                            |
| Share price (CAD)     | \$0.23             | \$0.36            | \$1.41                            |
| Exercise price (USD)  | \$1.39             | \$1.39            | \$1.39                            |
| Expected volatility   | 79.2%              | 77.1%             | 69.9%                             |
| Risk-free rate        | 4.48%              | 3.50%             | 3.06%                             |
| Expected life (years) | 3.81               | 4.55              | 5.0                               |
| Expected dividends    | 0%                 | 0%                | 0%                                |

**Offering - September 15, 2021**

|                       | September 30, 2023 | December 31, 2022 | September 15, 2021 initial recognition |
|-----------------------|--------------------|-------------------|--|
| Fair value (CAD)      | \$0.004            | \$0.02            | \$1.93                                 |
| Share price (CAD)     | \$0.23             | \$0.36            | \$4.43                                 |
| Exercise price (USD)  | \$5.00             | \$5.00            | \$5.00                                 |
| Expected volatility   | 80.9%              | 75.0%             | 62.0 %                                 |
| Risk-free rate        | 4.65%              | 3.67%             | 0.83%                                  |
| Expected life (years) | 2.96               | 3.71              | 5.0                                    |
| Expected dividends    | 0%                 | 0%                | 0%                                     |

For the three and nine months ended September 30, 2023, a gain on revaluation of derivative warrant liabilities was recorded in the amount of \$543,114 and \$408,600, respectively (three and nine months ended September 30, 2022 – a gain of \$2,477,746 and \$3,524,526, respectively).

As at September 30, 2023, there were 8,569,499 Warrants outstanding associated with the PIPE and Offerings from 2021 and 2023 and nil exercised (December 31, 2022 – 5,669,499 and nil exercised).

**8. Capital stock**

*Omnibus Equity Incentive Plan*

On April 29, 2021, the Company adopted a new omnibus equity incentive plan (the “Omnibus Equity Incentive Plan”) by way of a Shareholder Resolution. The Omnibus Equity Incentive Plan is a “rolling” plan that, subject to certain adjustment provisions, provides that the aggregate maximum number of Common Shares that may be issued upon the exercise or settlement of awards granted under the Omnibus Equity Incentive Plan shall not exceed 10% of the Company’s issued and outstanding Common Shares from time to time. The Omnibus Equity Incentive Plan is considered an “evergreen” plan, since the Common Shares covered by awards that have been exercised, settled or terminated shall be available for subsequent grants under the Omnibus Equity Incentive Plan, and the number of awards available to grant increases as the number of issued and outstanding Common Shares increases. As such, the Omnibus Equity Incentive Plan must be approved by the

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majority of the Company's Board and its shareholders every three years following its adoption pursuant to the requirements of the TSX.

Under the Omnibus Equity Incentive Plan, the Company is able to grant equity-based incentive awards in the form of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). All future grants of equity-based awards will be made pursuant to the Omnibus Equity Incentive Plan, and no further equity-based awards will be made pursuant to the Company's Stock Option Plan, DSU plan, and Stock Appreciation Rights Plan (collectively, the "Legacy Plan"). The Legacy Plan will continue to be authorized for the sole purpose of facilitating the vesting and exercise of existing awards previously granted under the Legacy Plans. Once the existing awards granted under the Legacy Plans are exercised or terminated, the Legacy Plans will terminate and be of no further force or effect.

*Common shares*

The Company's authorized capital consists of an unlimited number of common shares with no par value. As at September 30, 2023, common shares of the Company were reserved as follows:

|  | Exercise price<br>(CAD) | Expiry dates               | Number outstanding |
|--|-------------------------|----------------------------|--------------------|
| <b>Options – Legacy Plan</b>                                   | \$2.20 - \$3.10         | January 2024-December 2024 | 22,500             |
|  | \$3.13                  | January 2025-December 2025 | 10,000             |
| <b>Options – Omnibus Equity Incentive Plan</b>                 | \$2.80 - \$2.99         | January 2031-December 2031 | 45,000             |
|  | \$0.45 - \$1.35         | January 2032-December 2032 | 689,829            |
| <b>Deferred share units – Legacy Plan</b>                      | \$1.20 - \$2.10         | N/A                        | 66,667             |
| <b>Restricted share units – Omnibus Equity Incentive Plan</b>  | N/A                     | January 2024-December 2024 | 286,667            |
|  | N/A                     | January 2026-December 2026 | 972,000            |
|  | N/A                     | January 2031-December 2031 | 166,178            |
|  | N/A                     | N/A                        | 466,859            |
| <b>Performance share units – Omnibus Equity Incentive Plan</b> | N/A                     | N/A                        | 125,000            |

*Warrants*

On January 16, 2023, 7,968,750 common share purchase warrants were issued to Beedie in conjunction with the Beedie Note Payable. Each warrant is convertible into one common share in the capital of the Company at a price per share equal to \$0.256 until January 16, 2030. In addition, the Company has agreed to issue additional common share purchase warrants in connection with the subsequent advances, with such number of warrants to be equal to 17% of the amount of such subsequent advance divided by the exercise price of such subsequent warrants. The subsequent warrants are to have an exercise price equal to the five-day volume weighted average price of the Company's common shares immediately prior to the earlier of: (i) the announcement of the applicable subsequent advance, and (ii) the funding of the applicable subsequent advance. The subsequent warrants will expire seven years from the date of issuance. See note 6(a) for accounting for warrants issued in connection with the Beedie Note Payable.

During the quarter ended September 30, 2023, there were no warrants exercised (2022 - nil) for \$nil proceeds (2022 - \$nil). There were no warrants issued under the Legacy Plan (2022 - nil).

As at September 30, 2023, there were 8,466,173 warrants outstanding associated with the Beedie financing (2022 - nil).

As at September 30, 2023, there are 17,035,672 total warrants outstanding.

*Stock option plan*

The Company has an incentive stock option plan for its directors, officers, employees, and contractors. The Company's legacy stock option plan allows for the granting of options (and DSUs 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:

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

Under the Omnibus Equity Incentive Plan, the stock options that are granted have a term not exceeding 10 years when granted, and can be fully vested on date of grant or vest as follows:

- 1/3 after one year
- 1/3 after two years
- 1/3 after three years

During the year ended December 31, 2021, certain stock options granted included cash settlement alternatives at the discretion of the stock option holder, subject to the approval of the Company's Plan Administrator. The option holder could elect to perform the following on the settlement date:

- acquire common shares of the Company on a 1:1 basis to vested options
- receive cash payment, net of withholding taxes, equal to vested options multiplied by the market price of common shares of the Company
- acquire and receive a combination of common shares and cash payment, respectively, as noted above

Since the election and choice of settlement method lies with the stock option holder, which includes a cash settlement, the Company recorded the associated grants with this option as a cash-settled share-based payment and recorded a share-based payment liability, which is remeasured at each reporting period. As at September 30, 2023, the Company had no options outstanding that are to be cash-settled as these options were all forfeited. For the three and nine months ended September 30, 2023, there was \$nil recorded of gain or loss on revaluation of options (three and nine months ended September 30, 2022 - gain on revaluation of \$nil and \$1,063,662, respectively) deemed to be cash-settled.

|   | <b>Nine months ended<br/>September 30, 2022</b> | <b>December 31, 2022</b>             |
|---|---|--------------------------------------|
|   | <b>Omnibus Equity Incentive Plan</b>            | <b>Omnibus Equity Incentive Plan</b> |
| Fair value at grant date (CAD)                      | \$0.95 - 1.32                                   | \$0.20 - \$ 0.81                     |
| Share price at grant date (CAD)                     | \$0.95 - 1.32                                   | \$0.34 - \$1.32                      |
| Exercise price (CAD)                                | \$0.98 - 1.35                                   | \$0.45 - \$1.35                      |
| Expected volatility                                 | 62.47% - 69.88%                                 | 62.5% - 72.3%                        |
| Expected option life (years)                        | 5.5 - 6.5                                       | 5.5 - 6.5                            |
| Expected dividends                                  | 0%  | 0%                                   |
| Risk-free interest rate (based on government bonds) | 2.91% - 3.16%                                   | 2.90% - 3.16%                        |

As at September 30, 2023, 32,500 options were vested related to the Legacy Plan (December 31, 2022 - 720,100) with a weighted average exercise price of CAD \$2.49 per share (December 31, 2022 - CAD \$2.88 per share).

As at September 30, 2023, 548,163 options were vested related to the Omnibus Equity Incentive Plan (December 31, 2022 - 486,864) with a weighted average exercise price of CAD \$0.91 per share (December 31, 2022 - CAD \$1.67).

During the three months and nine months ended September 30, 2023, there were no stock options granted to directors, officers, employees, and contractors (three and nine months ended September 30, 2022 - 319,384).

During the three and nine months ended September 30, 2023, nil options were exercised (three and nine months ended September 30, 2022 - nil), for \$nil proceeds (three and nine months ended September 30, 2022 - \$nil). There were 196,468 and 1,076,718 stock options forfeited during the three and nine months ended September 30, 2023, respectively (three and nine months ended September 30, 2022 - 50,000 and 859,586, respectively) and nil stock options that expired during the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - nil and 72,000, respectively).

The following information applies to stock options outstanding per the Legacy Plan as at September 30, 2023, along with their respective exercise prices and related weighted average remaining contractual life:

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| Range of exercise prices (CAD) | Options outstanding | Weighted average remaining contractual life | Weighted average exercise price (CAD) | Options exercisable | Weighted average exercise price (CAD) |
|--------------------------------|---------------------|---|---------------------------------------|---------------------|---------------------------------------|
| \$2.20 - \$3.10                | 22,500              | 1.0 years                                   | \$2.20                                | 22,500              | \$2.20                                |
| \$3.13                         | 10,000              | 1.6 years                                   | \$3.13                                | 10,000              | \$3.13                                |
|                                | 32,500              | 1.1 years                                   | \$2.49                                | 32,500              | \$2.49                                |

The following information applies to stock options outstanding per the Omnibus Equity Incentive Plan as at September 30, 2023, along with their respective exercise prices and related weighted average remaining contractual life:

| Range of exercise prices (CAD) | Options outstanding | Weighted average remaining contractual life | Weighted average exercise price (CAD) | Options exercisable | Weighted average exercise price (CAD) |
|--------------------------------|---------------------|---|---------------------------------------|---------------------|---------------------------------------|
| \$2.80 - \$2.99                | 45,000              | 8.2 years                                   | \$2.84                                | 25,000              | \$2.88                                |
| \$0.45 - \$1.35                | 689,829             | 8.9 years                                   | \$0.90                                | 523,163             | \$0.82                                |
|                                | 734,829             | 8.9 years                                   | \$1.02                                | 548,163             | \$0.91                                |

*Deferred Share Units Plan*

The Company established a 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 option and DSU plans in aggregate as at September 30, 2023 were 4,081,215 (December 31, 2022 – 3,464,970) of which 873,447 were outstanding stock options, 66,667 were outstanding DSUs, 1,891,704 were outstanding RSUs, and 125,000 were outstanding PSUs for a total of 2,956,818 (December 31, 2022 - 2,896,933).

The Company did not grant any DSUs to directors of the Company during the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - nil).

*Restricted Share Units Plan*

Under the Omnibus Equity Incentive Plan, the Company established an RSU Plan. RSUs have a term not exceeding 10 years to indefinite expiry when granted and can fully vest immediately, after one year, vest each month, or vest as follows:

- 1/3 after one year
- 1/3 after two years
- 1/3 after three years

During the year ended December 31, 2021, certain RSUs granted included cash settlement alternatives at the discretion of the RSU holder, subject to the approval of the Company's Plan Administrator. The RSU holder could elect to perform the following on the settlement date:

- acquire common shares of the Company on a 1:1 basis to vested RSUs
- receive cash payment, net of withholding taxes, equal to vested RSUs multiplied by the market price of common shares of the Company
- acquire and receive a combination of common shares and cash payment, respectively, as noted above

Certain RSUs issued by the Company included the choice of settlement method lies with the RSU holder, which includes a cash settlement; the Company has recorded the associated RSU grants as a cash-settled share-based payment and recorded a share-based payment liability. As at September 30, 2023, there are 153,678 RSUs outstanding that are classified as cash-settled share-based payments.

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As a result of remeasuring the RSUs classified as cash-settled share-based payments related to the Omnibus Equity Incentive Plan at fair value, the Company recorded a gain of \$50,103 and \$170,091 for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – gain of \$137,224 and \$445,682 respectively). The RSUs were valued at the following fair values:

|                   | Three months ended<br>September 30, 2023 | Three months ended<br>September 30, 2022 |
|-------------------|--|--|
| Fair value (CAD)  | \$0.23                                   | \$0.82                                   |
| Share price (CAD) | \$0.23                                   | \$0.82                                   |

During the three and nine months ended September 30, 2023, nil and 1,394,000 RSUs were granted respectively to directors, officers, employees, and contractors which are equity accounted for (three and nine months ended September 30, 2022 – 424,489 and 678,463 respectively). During the three and nine months ended September 30, 2023, 31,250 and 1,609,589 RSUs were vested respectively and 80,686 and 323,515 RSUs were exercised respectively for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – 424,489 RSUs were vested and 40,549 RSUs were exercised).

*Performance Share Units Plan*

Under the Omnibus Equity Incentive Plan, the Company established a PSU Plan. The PSUs have an indefinite term when granted and vest 100% after one year if the performance vesting conditions are met. As at September 30, 2023, the Company has determined that it is probable that the performance vesting condition will be met by the respective employees.

No PSUs were granted to employees for the three and nine months ended September 30, 2023.

On May 16, 2022, 195,000 PSUs were granted to employees, of which 30,000 shares were forfeited during the year ended December 31, 2022. The PSUs were recorded at the fair value on the date of the grant. The PSUs were valued at the following fair value:

|                   | Year ended December 31, 2022             |
|-------------------|--|
|                   | <b>Omnibus Equity<br/>Incentive Plan</b> |
| Fair value (CAD)  | \$1.32                                   |
| Share price (CAD) | \$1.32                                   |

During the three and nine months ended September 30, 2023, nil and 40,000 PSUs were exercised.

**9. Stock-based compensation**

The total compensation expense relating to the value assigned to the stock options, RSUs, and PSUs granted to directors, officers, employees and contractors for the three and nine months ended September 30, 2023 was \$54,974 and \$893,101 respectively (three and nine months ended September 30, 2022 - \$681,193 and \$2,173,969 respectively), which was included in the stock-based compensation expense with a corresponding charge to contributed surplus of \$731,830 (September 30, 2022 - \$1,119,226) and share-based payment liability of \$161,271 (September 30, 2022 - \$1,054,743).

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**10. Net loss per share**

|  | Three months ended September 30, |                | Nine months ended September 30, |                |
|--|----------------------------------|----------------|---------------------------------|----------------|
|  | 2023                             | 2022           | 2023                            | 2022           |
| Numerator for basic and diluted net loss per share:        |                                  |                |                                 |                |
| <b>Net loss for the period</b>                             | \$ (4,379,016)                   | \$ (1,329,940) | \$ (11,396,860)                 | \$ (6,537,993) |
| Denominator for basic net loss per share:                  |                                  |                |                                 |                |
| Weighted average number of common shares outstanding       | 38,804,967                       | 32,749,800     | 36,078,834                      | 30,854,262     |
| Effect of potential dilutive securities                    | –                                | –              | –                               | –              |
| <b>Adjusted denominator for diluted net loss per share</b> | 38,804,967                       | 32,749,800     | 36,078,834                      | 30,854,262     |
| Basic net loss per share                                   | \$ (0.11)                        | \$ (0.04)      | \$ (0.32)                       | \$ (0.21)      |
| Diluted net loss per share                                 | \$ (0.11)                        | \$ (0.04)      | \$ (0.32)                       | \$ (0.21)      |

For the nine months ended September 30, 2023, 19,886,372 of potentially dilutive common shares (nine months ended September 30, 2022 - 8,236,098) issuable upon the exercise of warrants, DSUs, RSUs, PSUs, and options were not included in the computation of loss per share because their effect was anti-dilutive.

**11. 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, |              |
|--|----------------------------------|--------------|---------------------------------|--------------|
|  | 2023                             | 2022         | 2023                            | 2022         |
| Trade and other receivables                      | \$ 50,602                        | \$ (399,742) | \$ 202,118                      | \$ (450,163) |
| Inventories                                      | (1,422)                          | 3,595        | 3,933                           | 16,408       |
| Other current assets                             | (258,336)                        | (280,184)    | (167,561)                       | 14,668       |
| Trade and other payables and accrued liabilities | 512,592                          | (124,628)    | 1,753,420                       | 1,401,018    |
| Income tax payable                               | –                                | –            | 104,670                         | –            |
| Contract liabilities                             | 223,643                          | 48,135       | 150,164                         | 491,024      |
| Total  | \$ 529,079                       | \$ (752,824) | \$ 2,046,744                    | \$ 1,472,955 |

Other supplemental cash flow information as follows:

|                            | Three Months ended September 30, |         | Nine Months ended September 30, |            |
|----------------------------|----------------------------------|---------|---------------------------------|------------|
|                            | 2023                             | 2022    | 2023                            | 2022       |
| Cash received for interest | \$ 14,785                        | \$ 170  | \$ 21,524                       | \$ 899     |
| Cash paid for interest     | 341,714                          | 234,211 | 1,188,763                       | \$ 920,488 |

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**12. Segmented financial information**

The Company has determined it has two reportable business segments, namely technology and related revenue and technology services. The technology and related revenue segment develops, distributes licenses computer-based digital solutions based on the Company's proprietary technology; and the technology service segment, 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 transcription services and computer-based digital solutions currently offered by the Company.

The Chief Executive Officer, President and Chief Operating Officer, and Chief Financial Officer ("CODMs") are the operating decision makers and regularly reviews the Company's operations and performance by segment. Effective January 1, 2023, the CODMs review segment Adjusted EBITDA as the key measure of profit for the purpose of assessing performance of each segment and to make decisions about the allocation of resources. Prior to this, the CODMs reviewed segment income (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:

|   | <b>Three months ended September 30, 2023</b> |                            |                     |                       |
|---|--|----------------------------|---------------------|-----------------------|
|   | <b>Technology and related revenue</b>        | <b>Technology services</b> | <b>Corporate</b>    | <b>Total</b>          |
| Revenue   | \$ 905,077                                   | \$ 9,197,750               | \$ –                | \$ 10,102,827         |
| Gross Profit  | 696,361                                      | 3,635,723                  |                     | 4,332,084             |
| Selling and administrative expenses                     | 465,799                                      | 4,721,141                  | 308,407             | 5,495,347             |
| Research and development expenses                       | 16,851                                       | 169,918                    | –                   | 186,769               |
| <b>Adjusted EBITDA</b>                                  | <b>\$ 213,711</b>                            | <b>\$ (1,255,337)</b>      | <b>\$ (308,407)</b> | <b>\$ (1,350,032)</b> |
| Stock-based compensation                                |  |                            |                     | 54,974                |
| Depreciation and amortization                           |  |                            |                     | 1,251,826             |
| Foreign exchange loss                                   |  |                            |                     | 43,287                |
| Interest, accretion, and other financing costs          |  |                            |                     | 1,086,815             |
| Gain on revaluation of RSUs                             |  |                            |                     | (50,103)              |
| Gain on revaluation of the derivative warrant liability |  |                            |                     | (543,114)             |
| Restructuring costs                                     |  |                            |                     | 474,597               |
| Other income  |  |                            |                     | (12,031)              |
| Current income tax expense                              |  |                            |                     | 7,990                 |
| Deferred income tax expense                             |  |                            |                     | 714,743               |
| Net loss  |  |                            |                     | <b>\$ (4,379,016)</b> |

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Three months ended September 30, 2022

|   | Technology and related revenue | Technology services | Corporate           | Total               |
|---|--------------------------------|---------------------|---------------------|---------------------|
| Revenue   | \$ 1,150,737                   | \$ 10,634,976       | \$ –                | \$ 11,785,713       |
| Gross Profit  | 224,785                        | 5,352,400           | –                   | 5,577,185           |
| Selling and administrative expenses                     | 425,445                        | 4,928,640           | 605,925             | 5,960,010           |
| Research and development expenses                       | 17,074                         | 147,775             | –                   | 164,849             |
| Gain on contingent consideration                        | –                              | 11,807              | –                   | 11,807              |
| <b>Adjusted EBITDA</b>                                  | <b>\$ (217,734)</b>            | <b>\$ 264,178</b>   | <b>\$ (605,925)</b> | <b>\$ (559,481)</b> |
| Stock-based compensation                                |                                |                     |                     | 681,193             |
| Depreciation and amortization                           |                                |                     |                     | 1,272,637           |
| Foreign exchange loss                                   |                                |                     |                     | (151,354)           |
| Interest, accretion, and other financing costs          |                                |                     |                     | 701,208             |
| Gain on revaluation of RSUs                             |                                |                     |                     | (137,224)           |
| Gain on revaluation of the derivative warrant liability |                                |                     |                     | (2,477,746)         |
| Restructuring costs                                     |                                |                     |                     | 134,582             |
| Business acquisition costs                              |                                |                     |                     | 23,339              |
| Loss on extinguishment of debt                          |                                |                     |                     | 747,865             |
| Other income  |                                |                     |                     | (170)               |
| Current income tax recovery                             |                                |                     |                     | (97,827)            |
| Deferred income tax expense                             |                                |                     |                     | 73,956              |
| Net loss  |                                |                     |                     | \$ (1,329,940)      |

Nine months ended September 30, 2023

|   | Technology and related revenue | Technology services   | Corporate           | Total                 |
|---|--------------------------------|-----------------------|---------------------|-----------------------|
| Revenue   | \$ 2,907,906                   | \$ 27,766,385         | \$ –                | \$ 30,674,291         |
| Gross Profit  | 2,135,818                      | 11,259,104            | –                   | 13,394,922            |
| Selling and administrative expenses                     | 1,451,518                      | 13,859,942            | 950,832             | 16,262,292            |
| Research and development expenses                       | 49,365                         | 471,369               | –                   | 520,734               |
| Gain on contingent consideration                        | –                              | (10,389)              | –                   | (10,389)              |
| <b>Adjusted EBITDA</b>                                  | <b>\$ 634,935</b>              | <b>\$ (3,061,818)</b> | <b>\$ (950,832)</b> | <b>\$ (3,377,715)</b> |
| Stock-based compensation                                |                                |                       |                     | 893,101               |
| Depreciation and amortization                           |                                |                       |                     | 4,097,355             |
| Foreign exchange loss                                   |                                |                       |                     | 689,575               |
| Interest, accretion, and other financing costs          |                                |                       |                     | 2,144,193             |
| Gain on revaluation of RSUs                             |                                |                       |                     | (170,091)             |
| Gain on revaluation of the derivative warrant liability |                                |                       |                     | (408,600)             |
| Restructuring costs                                     |                                |                       |                     | 531,463               |
| Impairment of goodwill and intangible assets            |                                |                       |                     | 157,464               |
| Other income  |                                |                       |                     | (21,438)              |
| Current income recovery                                 |                                |                       |                     | (32,101)              |
| Deferred income tax expense                             |                                |                       |                     | 138,224               |
| Net loss  |                                |                       |                     | \$ (11,396,860)       |

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Nine months ended September 30, 2022

|   | Technology and related revenue | Technology services | Corporate      | Total          |
|---|--------------------------------|---------------------|----------------|----------------|
| Revenue   | \$ 2,989,505                   | \$ 32,672,844       | \$ –           | \$ 35,662,349  |
| Gross Profit  | 1,438,526                      | 15,721,910          | –              | 17,160,436     |
| Selling and administrative expenses                     | 1,401,080                      | 15,312,661          | 1,915,017      | 18,628,758     |
| Research and development expenses                       | 53,842                         | 588,449             | –              | 642,291        |
| Gain on contingent consideration                        | –                              | 107,879             | –              | 107,879        |
| Adjusted EBITDA   | \$ (16,396)                    | \$ (287,079)        | \$ (1,915,017) | \$ (2,218,492) |
| Stock-based compensation                                |                                |                     |                | 2,173,969      |
| Depreciation and amortization                           |                                |                     |                | 3,651,618      |
| Foreign exchange loss                                   |                                |                     |                | 597,209        |
| Interest, accretion, and other financing costs          |                                |                     |                | 1,571,329      |
| Gain on revaluation of options                          |                                |                     |                | (1,063,662)    |
| Gain on revaluation of RSUs                             |                                |                     |                | (445,682)      |
| Gain on revaluation of the derivative warrant liability |                                |                     |                | (3,524,526)    |
| Restructuring costs                                     |                                |                     |                | 303,690        |
| Business acquisition costs                              |                                |                     |                | 418,856        |
| Loss on extinguishment of debt                          |                                |                     |                | 747,865        |
| Other income  |                                |                     |                | (899)          |
| Current income tax expense                              |                                |                     |                | 74,815         |
| Deferred income tax recovery                            |                                |                     |                | (185,081)      |
| Net loss  |                                |                     |                | \$ (6,537,993) |

The comparative figures for selling and administrative expenses and research and development expenses have been adjusted for the three and nine months ended September 30, 2022 to reflect the current period presentation. The selling and administrative and research and development expenses originally reported for the three months ended September 30, 2022 for technology and related revenue were \$3,746,210 and \$164,849 respectively. The selling and administrative and research and development expenses originally reported for the nine months ended September 30, 2022 for technology and related revenue were \$9,714,728 and \$642,291 respectively. The selling and administrative and research and development expenses for technology services originally reported for the three months ended September 30, 2022 were \$1,607,874 and \$nil respectively. The selling and administrative and research and development expenses for technology services originally reported for the nine months ended September 30, 2022 were \$6,999,013 and \$nil respectively.

### 13. Revenue

The Company generates revenue primarily from the delivery of technology and transcription services to its customers. Revenue from contracts with customers is disaggregated by primary geographical market, major products and services and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments (note 12).

| Primary geographical markets | Three months ended September 30, |               | Nine months ended September 30, |               |
|------------------------------|----------------------------------|---------------|---------------------------------|---------------|
|                              | 2023                             | 2022          | 2023                            | 2022          |
| Australia                    | \$ 5,414,060                     | \$ 6,983,536  | \$ 16,614,102                   | \$ 20,569,416 |
| United States                | 4,181,140                        | 4,254,165     | 12,599,935                      | 13,509,582    |
| United Kingdom               | 446,902                          | 375,989       | 1,274,054                       | 1,273,741     |
| Canada                       | 55,084                           | 114,141       | 147,644                         | 211,044       |
| Other                        | 5,641                            | 57,882        | 38,556                          | 98,566        |
| Total                        | \$ 10,102,827                    | \$ 11,785,713 | \$ 30,674,291                   | \$ 35,662,349 |

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| Major products/service lines | Three months ended September 30, |               | Nine months ended September 30, |               |
|------------------------------|----------------------------------|---------------|---------------------------------|---------------|
|                              | 2023                             | 2022          | 2023                            | 2022          |
| Technology services          | \$ 9,197,750                     | \$ 10,634,976 | \$ 27,766,385                   | \$ 32,672,844 |
| Software licenses            | 81,559                           | 136,610       | 362,499                         | 229,459       |
| Support and maintenance      | 442,635                          | 459,073       | 1,348,754                       | 1,409,978     |
| SaaS                         | 54,302                           | 25,744        | 124,244                         | 64,108        |
| Subscriptions                | 157,853                          | 132,760       | 486,743                         | 349,808       |
| Professional services        | 95,576                           | 361,245       | 282,469                         | 738,943       |
| Hardware and other           | 73,152                           | 35,305        | 303,196                         | 197,209       |
| Total                        | \$ 10,102,827                    | \$ 11,785,713 | \$ 30,674,291                   | \$ 35,662,349 |

Technology Services revenue is reported in Technology Services segment and all other remaining products/services revenues are reported in Technology and related revenue segment.

The Company had no customers who contributed greater than 10% of consolidated total revenues during the nine months ended September 30, 2023 (2022 – one customer at 13.3%).

Technology services, software licenses, hardware and other revenue are recognized at a point in time, except for revenue for select customers which is recognized over time. Professional services, support and maintenance, SaaS, and subscription revenue is recognized over time.

#### 14. Lease obligations

Below is a summary of the activity related to the Company's lease liabilities for the three and nine months ended September 30, 2023 and 2022:

|   | Three months ended September 30, |              | Nine months ended September 30, |              |
|---|----------------------------------|--------------|---------------------------------|--------------|
|   | 2023                             | 2022         | 2023                            | 2022         |
| Lease obligations, beginning of period  | \$ 856,669                       | \$ 1,018,924 | \$ 1,206,248                    | \$ 1,188,769 |
| Interest on lease liabilities           | 19,963                           | 23,773       | 66,059                          | 78,764       |
| Interest payments on lease liabilities  | (19,963)                         | (23,773)     | (66,059)                        | (78,764)     |
| Principal payments of lease liabilities | (214,186)                        | (69,338)     | (351,405)                       | (186,658)    |
| Adjustment/abatement                    | 11,849                           | –            | (92,306)                        | (8,642)      |
| Foreign exchange difference             | 66,039                           | (63,916)     | (42,166)                        | (107,799)    |
| Total                                   | \$ 720,371                       | \$ 885,670   | \$ 720,371                      | \$ 885,670   |

The Company and its subsidiaries have entered into agreements to lease office premises until 2025. The annual rent expenses for premises of minimum rent and do not include variable costs. The minimum payments under all agreements are as follows:

|      |            |
|------|------------|
| 2023 | \$ 142,685 |
| 2024 | 433,081    |
| 2025 | 222,976    |
|      | \$ 798,742 |

#### 15. Income taxes

For the three and nine months ended September 30, 2023, the Company derecognized deferred tax asset relating to our Australia operations and \$475,293 was recorded as a deferred income tax expense.

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**16. Risk management for financial instruments**

The estimated fair values of cash, trade and other receivables, restricted cash, trade and other payables and accrued liabilities 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.

Fair value measurements recognized in the consolidated statement of financial position must be categorized in accordance with the following levels:

- a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value on the interim condensed consolidated statements of financial position consist of cash and restricted cash. Cash and restricted cash are valued using quoted market prices (Level 1). Share-based payment liability, contingent consideration, and derivative warrant 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, 2023.

**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.

**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 based on aging and historic collection of receivables. The allowance is recorded as an expense in the interim condensed 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, 2023 | December 31, 2022 |
|----------------|--------------------|-------------------|
| United States  | 53%                | 48%               |
| Australia      | 20%                | 29%               |
| United Kingdom | 20%                | 16%               |
| Rest of world  | 7%                 | 7%                |
|                | 100%               | 100%              |

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*Interest rate risk*

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

*Foreign currency risk*

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the U.S. and Australian dollars and Great Britain pounds with a large portion of the Company's sales and operating costs being realized in these foreign currencies. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in Great Britain pounds, 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, 2023, 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 \$58,000 (2022 - \$4,000).

The Company's Canadian 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 \$59,000 as at September 30, 2023 (2022 - \$47,000).

The Company's UK subsidiaries 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 \$31,000 as at September 30, 2023 (2022 - \$4,000).

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 loss from operations of \$43,287 and \$689,575 for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – foreign exchange gain of \$151,354 and foreign exchange loss of \$597,209 respectively).

*Capital management*

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

**17. Seasonality**

Interim period revenues, gross profit and net income or loss are not necessarily indicative of the results of operations for the full fiscal year. Within the Company's Technology Services segment, the Company has identified that the first and fourth quarter revenues are generally lower than revenues generated during other interim periods, specifically due to decreased historic revenues in the months of December and January related to annual holidays.

**18. Subsequent Event**

On November 10, 2023, in connection with the Company's Note Payable, the Company has drawn an additional \$1,250,000 ("Subsequent Advance") from the \$2,000,000 available, increasing the outstanding principal amount of the Note Payable to \$14,250,000. The Note Payable is now subject to 9.5% interest payable monthly and paid-in kind interest rate of 5% per annum (previously 3%) compounded monthly and added to the outstanding amount of the Note Payable. Beedie was also granted a participation right in certain future equity financing of the Company in order to maintain its pro rata equity interest in the Company. Additionally, the Company is to pay an amendment fee of \$375,000 at maturity or repayment of the Note Payable, which is subject to waiver in the event that the shareholders of the Company approve an increase to the number of common share purchase warrants issuable to the Lender under the Credit Agreement. In connection with the Subsequent Advance, the Company has issued 123,365 common share purchase warrants to Beedie. Each warrant is exercisable to purchase one common share of the Company at an exercise price of CDN\$0.20 per warrant share. The Warrants expire on November 10, 2030. The Company intends to use the Subsequent Advance for growth initiatives. The Company also agreed to reprice existing warrants held by Beedie totaling 8,466,173 to an exercise price of CDN\$0.20 per warrant share from CDN\$0.35 and CDN\$0.45 per warrant share. The 8,466,173 warrant share expires between January 16, 2030 and July 25, 2030. The completion of the repriced existing warrants is subject to final approval of the TSX and will not take effect until approval has been received.

On November 10, 2023, the Company also amended the Note Payable agreement which amended the minimum balance of unrestricted cash and cash equivalents, minimum monthly adjusted EBITDA and maximum total leverage covenants. Unrestricted cash and cash equivalents were amended up to December 31, 2024. The minimum monthly adjusted EBITDA and maximum total leverage covenants were amended up to January 31, 2024.