



VIQ Solutions Inc.

Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2024 and 2023
(unaudited)

(Expressed in United States dollars)

VIQ Solutions Inc.

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

	March 31, 2024	December 31, 2023
Assets		
Current assets		
Cash	\$ 2,221,509	\$ 1,621,778
Trade and other receivables, net of allowance for doubtful accounts (note 4)	4,827,117	4,382,668
Inventories	31,497	29,146
Prepaid expense and other deposits	1,224,121	1,636,349
	8,304,244	7,669,941
Non-current assets		
Restricted cash	176,778	185,655
Property and equipment, net	934,252	1,066,194
Right-of-use assets, net	484,861	596,063
Intangible assets, net (note 5)	7,417,504	8,066,733
Goodwill (note 5)	11,861,876	12,090,609
Total assets	\$ 29,179,515	\$ 29,675,195
Liabilities		
Current liabilities		
Trade and other payables and accrued liabilities	\$ 6,537,747	\$ 6,269,023
Income taxes payable	72,049	59,044
Share-based payment liability (notes 8 and 9)	24,537	25,246
Derivative warrant liability (note 7)	127,072	188,042
Current portion of long-term debt (note 6)	13,811,491	19,812
Current portion of lease obligations (note 14)	464,135	483,362
Contract liabilities	1,786,184	1,809,003
	22,823,215	8,853,532
Non-current liabilities		
Long-term debt (note 6)	—	13,246,176
Long-term lease obligations (note 14)	123,720	220,750
Other long-term liabilities	1,033,879	1,179,639
Total liabilities	23,980,814	23,500,097
Shareholders' equity		
Capital stock (notes 8 and 9)	77,403,488	76,230,158
Contributed surplus (note 9)	8,674,321	8,671,879
Accumulated other comprehensive loss	(982,819)	(670,788)
Deficit	(79,896,289)	(78,056,151)
Total shareholders' equity	5,198,701	6,175,098
Total liabilities and shareholders' equity	\$ 29,179,515	\$ 29,675,195

See accompanying notes to 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 March 31,	
	2024	2023
Revenue (note 13)	\$ 9,921,673	\$ 10,052,571
Cost of sales	5,529,115	5,624,614
Gross profit	4,392,558	4,427,957
Expenses		
Selling and administrative expenses	4,310,774	5,361,301
Research and development expenses	165,110	144,809
Stock-based compensation (notes 8 and 9)	28,533	333,292
Gain on revaluation of RSUs (note 8)	(28,777)	(56,946)
Loss (gain) on revaluation of the derivative warrant liability (note 7)	(57,165)	158,752
Foreign exchange loss (note 15)	102,833	237,018
Depreciation	194,984	226,159
Amortization (note 5)	806,457	1,130,303
Interest expense (notes 6 and 14)	388,924	333,836
Accretion and other financing costs (note 6)	326,878	163,716
Gain on contingent consideration	—	(10,389)
Impairment of intangible assets (note 5)	—	157,464
Restructuring costs	(9,694)	27,412
Other income	(11,205)	(5,094)
Total expenses	6,217,652	8,201,633
Current income tax expense	15,044	7,362
Deferred income tax recovery	—	(321,357)
Income tax expense (recovery)	15,044	(313,995)
Net loss for the period	\$ (1,840,138)	\$ (3,459,681)
Exchange gain (loss) on translation of foreign operations	(312,031)	12,348
Comprehensive loss for the period	\$ (2,152,169)	\$ (3,447,333)
Net loss per share (note 11)		
Basic	(0.04)	(0.10)
Diluted	(0.04)	(0.10)
Weighted average number of common shares outstanding – basic (note 10)	44,782,398	34,649,697
Weighted average number of common shares outstanding – diluted (note 10)	44,782,398	34,649,697

See accompanying notes to consolidated financial statements.

VIQ Solutions Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Expressed in United States dollars, unaudited)

	Capital stock		Contributed		Accumulated other	Total
	Number	Amount	surplus	Deficit	comprehensive loss	shareholders' equity
Balance as at December 31, 2023	40,956,838	\$ 76,230,158	\$ 8,671,879	\$ (78,056,151)	\$ (670,788)	\$ 6,175,098
Comprehensive loss for the period	—	—	—	(1,840,138)	(312,031)	(2,152,169)
Shares issued due to private placement (note 8)	10,239,000	1,173,330	—	—	—	1,173,330
Options forfeited (note 9)	—	—	(8,086)	—	—	(8,086)
Stock-based compensation (note 9)	—	—	10,528	—	—	10,528
Balance as at March 31, 2024	51,195,838	\$ 77,403,488	\$ 8,674,321	\$ (79,896,289)	\$ (982,819)	\$ 5,198,701

	Capital stock		Contributed		Accumulated other	Total
	Number	Amount	surplus	Deficit	comprehensive loss	shareholders' equity
Balance as at December 31, 2022	34,649,697	\$ 74,690,527	\$ 5,892,192	\$ (63,724,955)	\$ (1,214,354)	\$ 15,643,410
Comprehensive loss for the period	—	—	—	(3,459,681)	12,348	(3,447,333)
Warrants issued due to debt financing costs (note 6)	—	—	2,010,223	—	—	2,010,223
Stock-based compensation (note 9)	—	—	262,134	—	—	262,134
Balance as at March 31, 2023	34,649,697	\$ 74,690,527	\$ 8,164,549	\$ (67,184,636)	\$ (1,202,006)	\$ 14,468,434

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,	
	2024	2023
Operating activities		
Net loss for the period	\$ (1,840,138)	\$ (3,459,681)
Items not affecting cash:		
Depreciation	194,984	226,159
Amortization	806,457	1,130,303
Stock-based compensation (notes 9)	28,533	333,292
Accretion and other financing costs (note 6)	326,878	163,716
Interest expense (note 6)	388,924	333,836
Income tax recovery (expense)	15,044	(313,995)
Gain on contingent consideration	—	(10,389)
Impairment of goodwill and intangible assets (note 5)	—	157,464
Loss (gain) on revaluation of options, RSUs, and derivative warrant liability (notes 7 and 8)	(85,942)	101,806
Other income	(11,205)	(5,094)
Foreign exchange loss (note 15)	102,833	237,018
Unrealized foreign exchange loss	112,607	112,469
Changes in non-cash operating working capital (note 11)	74,419	130,902
Cash provided by (used in) operating activities	113,394	(862,194)
Investing activities		
Purchase of property and equipment	—	(7,328)
Earn-out payment	—	(86,733)
Development costs related to internally generated intangible assets (note 5)	(338,830)	(503,869)
Cash used in investing activities	(338,830)	(597,930)
Financing activities		
Issuance of share capital, net of issuance costs (note 8)	1,173,330	—
Proceeds from debt, net of issuance costs (note 6)	—	11,018,885
Repayment of debt (note 6)	(20,000)	(8,083,582)
Repayment of lease obligations (note 14)	(118,275)	(79,628)
Payment of interest on debt (note 6)	(128,678)	(498,985)
Payment of interest on lease obligations (note 14)	(17,492)	(28,985)
Cash provided by financing activities	888,885	2,327,705
Net increase in cash for period	663,449	867,581
Cash, beginning of period	1,621,778	1,657,571
Effect of exchange rate changes on cash	(63,718)	(11,623)
Cash, end of period	\$ 2,221,509	\$ 2,513,529

See accompanying notes to consolidated financial statements.

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

1. Nature of operations

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

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

VIQ was incorporated by articles of incorporation in the province of Alberta in November 2004. On June 21, 2017, the Company continued under articles of continuance in the province of Ontario. The Company’s 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 were delisted from trading on Nasdaq on October 5, 2023.

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* (“IAS 34”) and International Financial Reporting Interpretations Committee interpretations, as issued by the International Accounting Standards Board (“IASB”) and using the same accounting policies as described in the Company’s December 31, 2023 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 note 2d and 3.

These interim condensed consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on May 13, 2024.

(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, 2023 and 2022. 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 March 31, 2024, the Company has cash and cash equivalents of \$2,221,509. The Company has incurred recurring losses, has not yet achieved profitable operations, has a deficit of \$79,896,289 since its inception. Financial waivers were obtained in relation to Beedie Note Payable for the three months ended March 31, 2024 and was obtained on April 30, 2024. These matters, when considered in the aggregate, indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern for at least 12 months from March 31, 2024. In view of these matters,

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

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	March 31, 2024	December 31, 2023	March 31, 2023
Closing at the reporting date	0.7384	0.7547	0.7383
Average rate for the period	0.7417	0.7410	0.7395
USD / AUD exchange rate	March 31, 2024	December 31, 2023	March 31, 2023
Closing at the reporting date	0.6514	0.6811	0.6695
Average rate for the period	0.6588	0.6643	0.6838
USD / GBP exchange rate	March 31, 2024	December 31, 2023	March 31, 2023
Closing at the reporting date	1.2623	1.2731	1.2368
Average rate for the period	1.2679	1.2432	1.2143

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 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 statements 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 IAS 34 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. Material accounting policy information

(a) Material accounting policies

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 consolidated financial statements, management is required to identify when events or conditions indicate that material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern exists. Material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events, considered in the aggregate, indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, 12 months from date of the interim condensed consolidated statement of financial position. When the Company identifies conditions or events that raise potential for material uncertainty that may cast significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

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

- Stock-based compensation
- Warrants
- Internally generated development costs
- Functional currency
- Income taxes
- Allocation of the transaction price to multiple performance obligations in contracts with customers

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

- 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 2024

Presentation of Financial Statements IAS 1

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*. 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 Company has adopted the amendment.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, *Leases*)

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The Company has concluded that the impact of adopting these amendments is not material to its interim condensed consolidated financial statements.

Supplier Finance Arrangements (Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments*)

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The Company has concluded that the impact of adopting these amendments is not material to its interim condensed consolidated financial statements.

(c) Recent accounting pronouncements not yet adopted

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

4. Trade and other receivables

	March 31, 2024	December 31, 2023
Trade accounts receivable	\$ 4,403,955	\$ 4,297,513
Other receivables	1,077,574	782,955
Less: allowance for doubtful accounts	(654,412)	(697,800)
	\$ 4,827,117	\$ 4,382,668

As at March 31, 2024, other receivables relate to unbilled revenue of \$1,002,817 (December 31, 2023 - \$670,872) and sales tax receivable and other receivables of \$74,757 (December 31, 2023 - \$112,083).

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

5. Intangible assets and goodwill

Details of the Company's intangible assets as at March 31, 2024 are listed as follows:

	December 31, 2023	Additions	Foreign exchange	March 31, 2024
Cost				
Customer relationships	\$ 15,366,983	—	(121,500)	\$ 15,245,483
Technology	470,000	—	—	470,000
Non-compete	123,969	—	(2,916)	121,053
Brand	2,432,638	—	(32,049)	2,400,589
Patents	15,282	—	(310)	14,972
Internally generated intangible assets	12,637,733	338,830	(273,977)	12,702,586
	\$ 31,046,605	338,830	(430,752)	\$ 30,954,683
Accumulated amortization				
Customer relationships	11,713,956	326,782	(33,901)	12,006,837
Technology	470,000	—	—	470,000
Non-compete	126,431	—	(3,240)	123,191
Brand	2,366,716	5,283	(31,568)	2,340,431
Patents	1,443	354	(33)	1,764
Internally generated intangible assets	8,301,326	474,038	(180,408)	8,594,956
	22,979,872	806,457	(249,150)	23,537,179
Net book value	\$ 8,066,733			\$ 7,417,504

Details of the Company's goodwill as of March 31, 2024 are listed as follows:

	Balance December 31, 2023	Foreign exchange	Balance March 31, 2023
VIQ Australia	\$ 5,041,251	(219,627)	\$ 4,821,624
Dataworxs	135,627	(2,924)	132,703
VIQ US	3,570,275	—	3,570,275
VIQ Media	2,614,802	—	2,614,802
VIQ UK	728,654	(6,182)	722,472
	\$ 12,090,609	(228,733)	\$ 11,861,876

6. Long-term debt

	March 31, 2024	December 31, 2023
Beedie Investments Ltd. Note Payable (a)	\$ 13,811,491	\$ 13,246,176
Unsecured HomeTech interest-free promissory note (b)	—	19,812
Less current portion of long term debt	13,811,491	(19,812)
	\$ —	\$ 13,246,176

(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 annual interest rate of 9.5% payable monthly, (ii) annual interest rate of 1.5% payable monthly on \$3,000,000 available to be drawn subsequently subject to certain conditions and (iii) annual 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 relative 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 CAD \$0.50, an exercise price of CAD \$0.35, 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 value attributed to 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 (“July 2023 Subsequent Advance”) from the \$3,000,000 available, increasing the outstanding principal amount of the Note Payable to \$13,000,000. In connection with the July 2023 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. The Company incurred transactions costs of \$42,870 associated with establishing the July 2023 Subsequent Advance; \$4,390 of transaction costs were deducted from the fair value of warrants of \$114,081 based on the relative fair value, which resulted in \$109,691, being credited to contributed surplus. The July 2023 Subsequent Advance of \$847,439 was determined using relative fair value, and transaction costs of \$38,480 were allocated to the host debt instrument based on relative fair value and are being accreted to the face value of \$1,000,000 over the term of 3.6 years. The transaction costs are recognized as accretion and other financing costs over the term of the loan.

On November 10, 2023, in connection with the Company’s Note Payable, the Company has drawn an additional \$1,250,000 (“November 2023 Subsequent Advance”), increasing the outstanding principal amount of the Note Payable to \$14,250,000. In connection with the November 2023 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 30, 2030. The Company incurred transactions costs of \$59,000 associated with establishing the November 2023 Subsequent Advance; \$582 of transaction costs were deducted from the fair value of warrants of \$12,455 based on the relative fair value, which resulted in \$11,873, being credited to contributed surplus. The November 2023 Subsequent Advance of \$1,179,127 was determined using relative fair value, and transaction costs of \$58,418 were allocated to the host debt instrument based on relative fair value and are being accreted to the face value of \$1,250,000 over the term of 3.2 years. The transaction costs are recognized as accretion and other financing costs over the term of the loan.

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

On November 10, 2023, an amendment was made to the loan agreement and the paid-in kind interest rate increased to 5% from 3%. 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. The Company also agreed to reprice existing warrants held by Beedie totaling 8,466,173 to an exercise price of CAD\$0.20 per warrant share from CAD\$0.35 and CAD\$0.45 per warrant share. The 8,466,173 warrants expiry between January 16, 2030 and July 25, 2030. The completion of the repriced existing warrants was approved by TSX on November 8, 2023. The amendment of increasing the paid-in kind interest, amendment fee of \$375,000 and repricing of the warrants 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. As a result, the Company recorded a loss on modification of debt of \$549,646.

On December 22, 2023, in connection with the Company's Note Payable, the Company has drawn an additional \$750,000 ("December 2023 Subsequent Advances") from the remaining \$750,000 available, increasing the outstanding principal amount of the Note Payable to \$15,000,000. The Company incurred \$36,497 in transaction costs were incurred and were recorded as an offset to the Note Payable.

During the three months ended March 31, 2024, the Company recorded interest expense of \$370,189 (2023 - \$243,958) representing accrued interest of \$241,511 and cash paid of \$128,678 and \$323,805 (2023 - \$153,152) recorded as accretion and other financing costs related to the Note Payable in the interim condensed consolidated statements of loss and comprehensive loss.

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 and 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.

On November 10 and December 22, 2023, the Company 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. Minimum balance of unrestricted cash and cash equivalents covenant were amended up to December 31, 2024. The minimum monthly adjusted EBITDA and maximum total leverage covenants were amended up to December 31, 2026.

On February 23, 2024, the Company signed a waiver agreement which resulted in the cash interest being deferred in the amount of \$243,491. The amount was based on the fixed 9.5% per annum calculated on the outstanding principal amount of the loan owing for the months of January 2024 and February 2024 and was added to the principal amount as paid in kind interest to the Note Payable and will be subject to 14.5% interest per annum. The amount is to be repaid on January 13, 2027. The Company also amended the Note Payable agreement which amended the minimum balance of unrestricted cash and cash equivalents covenant up to March 31, 2024.

The Company for the month of March 2024 was not in compliance with the maximum total leverage covenant. As a result, the Company has reclassified the Note Payable as current as at March 31, 2024. Refer to Note 17 Subsequent Events for additional details.

(b) Unsecured promissory notes

Unsecured promissory notes were issued to the former owners of acquired companies. 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. 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. During the three months ended March 31, 2024, the Company repaid a total principal of \$20,000 (2023 - \$60,000). The Company recorded an accretion expense of \$188 for the three months ended March 31, 2024 (2023 - \$6,420). The Company repaid the loan balance in full as at March 31, 2024.

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 months ended March 31, 2024, the Company recorded interest expense of \$nil (2023 - \$4,094) and accretion expense of \$nil (2023 - \$9,270). As at March 31, 2024, the loan balance has been repaid in full.

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 \$75,132 were incurred with \$67,644 being recorded as a reduction of common shares and \$7,488 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 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 “2021 Offering”). Under the Offering, the Company sold 4,235,294 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 total of 2,117,647 Warrants were issued. Each Warrant entitles the shareholder thereof to purchase one Common 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 prices for the Warrants issued under the PIPE and 2021 and 2023 Offerings are denominated in U.S. 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.

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

The following are assumptions used by the Company to determine fair value for quarter ended March 31, 2024:

2023 Offering - August 1, 2023

	March 31, 2024	December 31, 2023	August 1, 2023 initial recognition
Fair value (CAD)	\$0.01	\$0.03	\$0.13
Share price (CAD)	\$0.22	\$0.23	\$0.39
Exercise price (USD)	\$0.31	\$0.31	\$0.31
Expected volatility	101.84%	111.23%	90.96%
Risk-free rate	4.25%	3.91%	4.78%
Expected life (years)	0.25	0.50	0.92
Expected dividends	0%	0%	0%

PIPE - July 21, 2022

	March 31, 2024	December 31, 2023	July 21, 2022 initial recognition
Fair value (CAD)	\$0.04	\$0.04	\$0.93
Share price (CAD)	\$0.22	\$0.23	\$1.41
Exercise price (USD)	\$1.39	\$1.39	\$1.39
Expected volatility	88.5%	83.3%	69.9%
Risk-free rate	3.85%	3.53%	3.06%
Expected life (years)	3.30	3.55	5.0
Expected dividends	0%	0%	0%

Offering - September 15, 2021

	March 31, 2024	December 31, 2023	September 15, 2021 initial recognition
Fair value (CAD)	\$0.01	\$0.01	\$1.93
Share price (CAD)	\$0.22	\$0.23	\$4.43
Exercise price (USD)	\$5.00	\$5.00	\$5.00
Expected volatility	93.4%	90.6%	62.0 %
Risk-free rate	4.02%	3.74%	0.83%
Expected life (years)	2.46	2.71	5.0
Expected dividends	0%	0%	0%

For the three months ended March 31, 2024, a gain on revaluation of derivative warrant liabilities was recorded in the amount of \$57,165 (2023 – loss on revaluation of \$158,752).

As at March 31, 2024, there were 8,569,499 warrants outstanding associated with the PIPE and Offerings from 2021 and 2023 and nil exercised (2023 – 5,669,499 and nil exercised).

8. Capital stock

Common shares

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

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

The Company's authorized capital consists of an unlimited number of common shares with no par value. As at March 31, 2024, common shares of the Company were reserved as follows:

	Exercise price (CAD)	Expiry dates	Number outstanding
Options – Legacy Plan	\$2.20	January 2024-December 2024	12,500
Options – Omnibus Equity Incentive Plan	\$2.80 - \$2.99	January 2031-December 2031	45,000
	\$0.45 - \$1.35	January 2032-December 2032	639,829
Deferred share units – Legacy Plan	\$1.20 - \$2.10	N/A	33,333
Restricted share units – Omnibus Equity Incentive Plan	N/A	January 2024-December 2024	259,667
	N/A	January 2026-December 2026	867,000
	N/A	January 2031-December 2031	163,178
	N/A	N/A	447,506
Performance share units – Omnibus Equity Incentive Plan	N/A	N/A	100,000

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 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.

Warrants

See note 6(a) for accounting for warrants issued in connection with the Beedie Note Payable.

During the quarter ended March 31, 2024, there were no warrants exercised (2023 - nil) for \$nil proceeds (2023 - \$nil). There were no warrants issued under the Legacy Plan (2023 - nil).

As at March 31, 2024, there are 8,589,538 warrants outstanding associated with the Beedie financing (2023 – 7,968,750). See note 6(a).

As at March 31, 2024, there are 17,159,037 total warrants outstanding (2023 – 13,638,249).

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:

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

- 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

As at March 31, 2024, 12,500 options were vested related to the Legacy Plan (December 31, 2023 - 32,500) with a weighted average exercise price of CAD \$2.20 per share (December 31, 2023 - CAD \$2.49 per share).

As at March 31, 2024, 573,996 options were vested related to the Omnibus Equity Incentive Plan (December 31, 2023 - 573,996) with a weighted average exercise price of CAD \$0.91 per share (December 31, 2023 - CAD \$0.91).

During the quarter ended March 31, 2024, there were no stock options granted to directors, officers, employees, and contractors (2023 – nil).

During the quarter ended March 31, 2024, nil options were exercised (2023 – nil). There were 70,000 stock options forfeited during the quarter ended March 31, 2024 (2023 - 880,250) and nil stock options that expired during the three months ended March 31, 2024 (2023 - nil).

The following information applies to stock options outstanding per the Legacy Plan as at March 31, 2024, 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)
\$2.20	12,500	0.45 years	\$2.20	12,500	\$2.20
	12,500	0.45 years	\$2.20	12,500	\$2.20

The following information applies to stock options outstanding per the Omnibus Equity Incentive Plan as at March 31, 2024, 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	7.71 years	\$2.84	30,000	\$2.84
\$0.45 - \$1.35	639,829	8.42 years	\$0.89	543,996	\$0.80
	684,829	8.38 years	\$1.02	573,996	\$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.

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

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 March 31, 2024 were 5,119,584 (December 31, 2023 - 4,095,684) of which 697,329 were outstanding stock options, 33,333 were outstanding DSUs, 1,737,351 were outstanding RSUs, and 100,000 were outstanding PSUs for a total of 2,551,571 (December 31, 2023 - 2,672,680).

The Company did not grant any DSUs to directors of the Company during the quarter ended March 31, 2024 (2023 - 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 option; the Company has recorded the associated RSU grants as a cash-settled share-based payment and recorded a share-based payment liability. As at March 31, 2024, there are 153,678 RSUs outstanding that are classified as cash-settled share-based payments (December 31, 2023 - 153,678).

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 \$28,777 for the three months ended March 31, 2024 (2023 - gain of \$56,946). The RSUs were valued at the following fair values:

	March 31, 2024	December 31, 2023
Fair value (CAD)	\$0.22	\$0.23
Share price (CAD)	\$0.22	\$0.23

During the quarter ended March 31, 2024, nil (2023 - nil) RSUs were granted to directors, officers, employees, and contractors which are equity accounted for. During the quarter ended March 31, 2024, nil RSUs were vested, 9,667 RSUs were forfeited, and nil RSUs were exercised (2023 - 31,250 RSUs were vested, nil RSUs were forfeited, and nil RSUs 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 months ended March 31, 2024 was \$28,533 (2023 - \$333,292), which was included in the stock-based compensation expense with a corresponding charge to contributed surplus of \$2,443 (2023 - \$262,134) and share-based payment liability of \$26,090 (2023 - \$71,158).

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

10. Net loss per share

	Three months ended March 31,	
	2024	2023
Numerator for basic and diluted net loss per share:		
Net loss for the period	\$ (1,840,138)	\$ (3,459,681)
Denominator for basic net loss per share:		
Weighted average number of common shares outstanding	44,782,398	34,649,697
Effect of potential dilutive securities	—	—
Adjusted denominator for diluted net loss per share	44,782,398	34,649,697
Basic net loss per share	\$ (0.04)	\$ (0.10)
Diluted net loss per share	\$ (0.04)	\$ (0.10)

For the three months ended March 31, 2024, 19,727,050 of potentially dilutive common shares (2023 - 15,654,932) 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 March 31,	
	2024	2023
Trade and other receivables	\$ (543,992)	\$ (720,821)
Inventories	(2,351)	(842)
Prepaid expense and other deposits	367,201	606,114
Trade and other payables and accrued liabilities	276,380	271,973
Income taxes receivable	—	(90,147)
Contract liabilities	(22,819)	64,625
Total	\$ 74,419	\$ 130,902

Other supplemental cash flow information as follows:

	Three months ended March 31,	
	2024	2023
Cash received for interest	\$ 11,205	\$ 6,739
Cash paid for interest	146,170	527,970

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.

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

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. 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.

Financial information by reportable business segment is as follows:

Three months ended March 31, 2024				
	Technology and related revenue	Technology services	Corporate	Total
Revenue	\$ 1,007,041	\$ 8,914,632	\$ –	\$ 9,921,673
Gross profit	796,814	3,595,744	–	4,392,558
Selling and administrative expenses	419,687	3,715,202	175,885	4,310,774
Research and development expenses	16,759	148,351	–	165,110
Adjusted EBITDA	\$ 360,368	\$ (267,809)	\$ (175,885)	\$ (83,326)
Stock-based compensation				28,533
Depreciation and amortization				1,001,441
Foreign exchange loss				102,833
Interest, accretion, and other financing costs				715,802
Gain on revaluation of RSUs				(28,777)
Gain on revaluation of the derivative warrant liability				(57,165)
Restructuring costs				(9,694)
Other income				(11,205)
Current income tax expense				15,044
Net loss				\$ (1,840,138)

Three months ended March 31, 2023				
	Technology and related revenue	Technology services	Corporate	Total
Revenue	\$ 893,388	\$ 9,159,183	\$ –	\$ 10,052,571
Gross Profit	627,562	3,800,395	–	4,427,957
Selling and administrative expenses	443,331	4,545,118	372,852	5,361,301
Research and development expenses	12,869	131,940	–	144,809
Gain on contingent consideration	–	(10,389)	–	(10,389)
Adjusted EBITDA	\$171,362	\$ (866,274)	\$ (372,852)	\$ (1,067,764)
Stock-based compensation				333,292
Depreciation and amortization				1,356,462
Foreign exchange loss				237,018
Interest, accretion, and other financing costs				497,552
Gain on revaluation of RSUs				(56,946)
Loss on revaluation of the derivative warrant liability				158,752
Restructuring costs				27,412
Impairment of intangibles				157,464
Other income				(5,094)
Current income tax expense				7,362
Deferred income recovery				(321,357)
Net loss				\$ (3,459,681)

VIQ Solutions Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in United States dollars)

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 March 31,	
	2024	2023
Australia	\$ 5,111,866	\$ 5,445,424
United States	4,162,025	4,158,513
United Kingdom	591,018	393,637
Canada	54,289	49,384
Other	2,475	5,613
Total	\$ 9,921,673	\$ 10,052,571

Major products/service lines	Three months ended March 31,	
	2024	2023
Technology services	\$ 8,914,632	\$ 9,159,183
Software licenses	71,218	90,049
Support and maintenance	445,641	450,968
SaaS	76,505	25,277
Subscriptions	175,190	160,545
Professional services	178,599	89,037
Hardware and other	59,888	77,512
Total	\$ 9,921,673	\$ 10,052,571

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 customer who contributed greater than 10% of consolidated total revenues during the three months ended March 31, 2024 (2023 – nil).

Technology services, software licenses, hardware and other revenue are recognized at a point in time, except for revenue for select customers 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 months ended March 31, 2024:

	Three months ended March 31,	
	2024	2023
Lease obligations, beginning of period	\$ 704,112	\$ 1,206,248
Interest on lease liabilities	(17,492)	28,985
Interest payments on lease liabilities	17,492	(28,985)
Principal payments of lease liabilities	(118,275)	(79,628)
Adjustment – lease extension	31,416	–
Foreign exchange translation	(29,398)	(13,547)
Total	\$ 587,855	\$1,113,073

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:

2024	\$ 410,324
2025	229,832
	\$ 640,156

15. 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 interim condensed 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 March 31, 2024.

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 ECLs 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 ECLs 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:

	March 31, 2024	December 31, 2023
United States	54%	48%
Australia	24%	28%
United Kingdom	12%	17%
Rest of world	10%	7%
	100%	100%

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 statements of financial position. The Company does not have a material amount of long-term debt with variable interest

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

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 March 31, 2024, fluctuations of the Australian dollar relative to the U.S. dollar of 5% would result in an exchange gain or loss on the net financial assets, impacting the Company's comprehensive income by approximately \$32,000 (2023 - \$9,000).

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 \$35,000 as at March 31, 2024 (2023 - \$32,000).

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 \$12,000 as at March 31, 2024 (2023 - \$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 \$102,833 for the three months ended March 31, 2024 (2023 - foreign exchange loss of \$237,018).

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.

16. 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.

17. Subsequent Event

On April 30, 2024, the Company obtained a waiver from Beedie for the non compliance of the Maximum Total Secured Debt Leverage financial covenant for the month of March 2024. As a result, the principal amount of Note Payable and paid in kind interest owing remains due to be repaid in January 2027.