

Condensed Interim Consolidated Financial Statements  
(Expressed in U.S. dollars)

## **GREENBROOK TMS INC.**

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

# GREENBROOK TMS INC.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in U.S. dollars, unless otherwise stated)  
(Unaudited)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash	\$ 13,594,274	\$ 7,947,607
Accounts receivable, net	10,867,513	10,091,087
Prepaid expenses and other	2,063,812	1,912,744
	<u>26,525,599</u>	<u>19,951,438</u>
Property, plant and equipment (note 6)	1,733,418	1,666,331
Intangible assets (note 7)	5,976,065	6,207,731
Goodwill (note 5)	3,707,650	3,707,650
Right-of-use assets (note 8)	27,565,457	25,430,956
	<u>\$ 65,508,189</u>	<u>\$ 56,964,106</u>

## Liabilities and Shareholders' Equity (Deficit)

Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 8,307,337	\$ 7,011,849
Loans payable (note 10(a))	1,391,125	101,107
Deferred grant income (note 11)	166,406	—
Lease liabilities (note 8)	5,071,022	4,707,853
Non-controlling interest loans (note 10(b))	73,231	69,674
Provisions (note 12)	—	18,792
Deferred and contingent consideration (note 5)	6,300,000	1,274,402
	<u>21,309,121</u>	<u>13,183,677</u>
Long-term portion of loans payable (note 10(a))	1,558,719	150,392
Long-term portion of deferred grant income (note 11)	142,792	—
Long-term portion of lease liabilities (note 8)	23,228,543	20,683,904
	<u>46,239,175</u>	<u>34,017,973</u>
Shareholders' equity (deficit):		
Common shares (note 13)	60,342,723	50,185,756
Contributed surplus (note 14)	3,042,104	2,757,252
Deficit	(44,077,058)	(30,441,280)
	<u>19,307,769</u>	<u>22,501,728</u>
Non-controlling interest (note 22)	(38,755)	444,405
	<u>19,269,014</u>	<u>22,946,133</u>
Contingencies (note 15)		
	<u>\$ 65,508,189</u>	<u>\$ 56,964,106</u>

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss  
(Expressed in U.S. dollars, unless otherwise stated)  
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue:				
Service revenue	\$ 9,788,555	\$ 8,082,559	\$ 21,209,057	\$ 14,689,757
Expenses:				
Direct center and patient care costs	5,166,153	3,931,231	11,047,442	7,387,847
Other regional and center support costs (note 23)	3,411,038	2,213,286	6,804,330	3,928,748
Depreciation (notes 6 and 8)	1,436,562	935,876	2,842,687	1,743,996
	10,013,753	7,080,393	20,694,459	13,060,591
Regional operating income (loss)	(225,198)	1,002,166	514,598	1,629,166
Center development costs	140,861	414,975	370,368	679,671
Corporate, general and administrative expenses (note 23)	3,134,173	2,862,485	7,010,669	5,194,827
Share-based compensation	175,447	162,155	284,852	456,314
Amortization (note 7)	115,833	—	231,666	—
Interest expense	694,208	405,817	1,352,042	803,657
Interest income	(1,078)	(2,159)	(9,561)	(24,109)
Earn-out consideration (note 5)	5,250,000	—	5,250,000	—
Loss before income taxes	(9,734,642)	(2,841,107)	(13,975,438)	(5,481,194)
Income tax expense (note 17)	—	—	—	—
Loss for the period and comprehensive loss	\$ (9,734,642)	\$ (2,841,107)	\$ (13,975,438)	\$ (5,481,194)
(Loss) income for the period attributable to:				
Non-controlling interest (note 22)	\$ (257,137)	\$ 32,985	\$ (339,660)	\$ (36,680)
Common shareholders of Greenbrook TMS	(9,477,505)	(2,874,092)	(13,635,778)	(5,444,514)
	\$ (9,734,642)	\$ (2,841,107)	\$ (13,975,438)	\$ (5,481,194)
Net loss per share (note 21):				
Basic	\$ (0.15)	\$ (0.06)	\$ (0.23)	\$ (0.11)
Diluted	(0.15)	(0.06)	(0.23)	(0.11)

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)  
 (Expressed in U.S. dollars, unless otherwise stated)  
 (Unaudited)

Six months ended June 30, 2019	Common Shares		Contributed surplus	Deficit	Non-controlling interest	Total equity (deficit)
	Number	Amount				
Balance, December 31, 2018	47,524,375	\$ 26,882,622	\$ 1,745,079	\$ (14,531,401)	\$ 544,465	\$ 14,640,765
Loss for the period and comprehensive loss	–	–	–	(5,444,514)	(36,680)	(5,481,194)
Issuance of common shares (note 13)	9,409,000	20,604,207	355,660	–	–	20,959,867
Exercise of stock options (note 14)	53,332	87,883	(33,717)	–	–	54,166
Share-based compensation (note 14)	–	–	456,314	–	–	456,314
Payments to non-controlling interest	–	–	–	–	(173,050)	(173,050)
Non-controlling interest subsidiary investment	–	–	–	–	245,000	245,000
<b>Balance, June 30, 2019</b>	<b>56,986,707</b>	<b>\$ 47,574,712</b>	<b>\$ 2,523,336</b>	<b>\$ (19,975,915)</b>	<b>\$ 579,735</b>	<b>\$ 30,701,868</b>

Six months ended June 30, 2020	Common Shares		Contributed surplus	Deficit	Non-controlling interest	Total equity (deficit)
	Number	Amount				
Balance, December 31, 2019	58,418,443	\$ 50,185,756	\$ 2,757,252	\$ (30,441,280)	\$ 444,405	\$ 22,946,133
Loss for the period and comprehensive loss	–	–	–	(13,635,778)	(339,660)	(13,975,438)
Issuance of common shares (note 13)	9,093,940	10,156,967	–	–	–	10,156,967
Share-based compensation (note 14)	–	–	284,852	–	–	284,852
Payments to non-controlling interest	–	–	–	–	(143,500)	(143,500)
<b>Balance, June 30, 2020</b>	<b>67,512,383</b>	<b>\$ 60,342,723</b>	<b>\$ 3,042,104</b>	<b>\$ (44,077,058)</b>	<b>\$ (38,755)</b>	<b>\$ 19,269,014</b>

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

Condensed Interim Consolidated Statements of Cash Flows  
(Expressed in U.S. dollars, unless otherwise stated)  
(Unaudited)

	Six months ended	
	June 30, 2020	June 30, 2019
Cash provided by (used in)		
Operating activities:		
Loss for the period	\$ (13,975,438)	\$ (5,481,194)
Adjusted for:		
Amortization	231,666	–
Depreciation	2,842,687	1,743,996
Interest expense	1,352,042	803,657
Interest income	(9,561)	(24,109)
Share-based compensation	284,852	456,314
Earn-out consideration	5,250,000	–
Change in non-cash operating working capital:		
Accounts receivable	(776,426)	(2,333,502)
Prepaid expenses and other	(151,068)	(230,771)
Accounts payable and accrued liabilities	1,295,488	1,027,254
Provisions	(18,792)	–
	<u>(3,674,550)</u>	<u>(4,038,355)</u>
Financing activities:		
Net proceeds on issuance of common shares (note 13)	10,156,967	20,959,867
Net proceeds on exercise of stock options	–	54,166
Bank loans advanced	3,080,760	84,096
Bank loans repaid	(42,317)	(74,424)
Lease liabilities repaid	(3,509,848)	(2,588,815)
Net non-controlling interest loans advanced (repaid)	3,557	(14,182)
Distribution to non-controlling interest	(143,500)	(173,050)
	<u>9,545,619</u>	<u>18,247,658</u>
Investing activities:		
Purchase of property, plant and equipment	–	(334,600)
Deferred and contingent consideration (note 5)	(224,402)	–
	<u>(224,402)</u>	<u>(334,600)</u>
Increase in cash	5,646,667	13,874,703
Cash, beginning of period	7,947,607	9,381,600
Cash, end of period	<u>\$ 13,594,274</u>	<u>\$ 23,256,303</u>

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 1. Reporting entity:

Greenbrook TMS Inc. (the “Company”), an Ontario corporation along with its subsidiaries, controls and operates a network of outpatient mental health services centers that specialize in the provision of Transcranial Magnetic Stimulation (“TMS”) therapy for the treatment of depression and related psychiatric services.

Our head and registered office is located at 890 Yonge Street, 7th Floor, Toronto, Ontario, Canada M4W 3P4. Our United States corporate headquarters is located at 8405 Greensboro Drive, Suite 120, Tysons Corner, Virginia, USA, 22102.

## 2. Basis of preparation:

### (a) Going concern:

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the basis of presentation outlined in note 2(b) on the assumption that the Company is a going concern and 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 Company has experienced losses since inception and has negative cash flow from operating activities. More recently, given the impact that the COVID-19 (coronavirus) pandemic (“COVID-19”), including the related government-imposed social distancing and “shelter-in-place” measures, has had on the overall volumes of patient treatments, the overall cash flows of the Company have been negatively impacted. Although the Company anticipates that it will have positive cash flow from operating activities in the future, the Company anticipates that its overall cash flows may continue to be negatively impacted until the global economic impact of COVID-19 subsides. These conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. The Company has implemented a number of mitigation strategies to address the impacts of COVID-19, including: a furlough of approximately 20% of the Company’s employees; a Company-wide hiring freeze; a 10% salary deferral by the Company’s executive management team; and a reduction in discretionary spending. The Company also has strong supportive shareholders and a proven track record of successfully raising capital when required. The failure to raise such capital when required could result in the delay or indefinite postponement of current business objectives and additional financing may not be available on favorable terms or at all.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 2. Basis of preparation (continued):

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate. If the going concern basis was not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the condensed interim consolidated statements of financial position classification used.

### (b) Statement of compliance:

These condensed interim consolidated financial statements for the three and six months ended June 30, 2020 have been prepared in accordance with IAS 34 – *Interim Financial Reporting*, as issued by the IASB. The disclosures contained in these condensed interim consolidated financial statements do not include all of the requirements of IFRS for annual consolidated financial statements. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements comprise the accounts of Greenbrook TMS Inc., the parent company, and its subsidiaries. The Company accounts for its controlled subsidiaries using the consolidation method of accounting from the date that control commences and is deconsolidated from the date control ceases. All intercompany transactions and balances have been eliminated on consolidation.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company (the “Board”) and authorized for issue by the Board on August 4, 2020.

## 3. Significant accounting policies:

These condensed interim consolidated financial statements have been prepared using the significant accounting policies consistent with those applied in the Company’s December 31, 2019 audited consolidated financial statements, except as described below relating to the application of IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 3. Significant accounting policies (continued):

### (a) Government grants:

Interest free or less than market interest government loans or government-backed loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is presented separately as deferred grant income on the condensed interim consolidated statements of financial position. It is amortized over the useful life of the loan and is deducted against the related interest expense on the condensed interim consolidated statements of net loss and comprehensive loss.

The uncertainties around the outbreak of COVID-19 required the use of judgements and estimates. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts of the following: goodwill and intangible assets impairment, leases, business combinations, provisions, litigations and claims.

## 4. Recent accounting pronouncements:

There are no recent accounting pronouncements that are applicable or that are expected to have a significant impact on the Company.

## 5. Business acquisition:

On September 26, 2019, the Company, through its wholly-owned subsidiary, TMS NeuroHealth Centers, Inc. ("TMS US"), completed the acquisition of all of the issued and outstanding membership interests of each of Achieve TMS Centers, LLC and Achieve TMS Alaska, LLC (collectively, "Achieve TMS") for a purchase price of \$10,596,912 (net of Achieve TMS' cash), of which \$2,611,044 of the purchase price was satisfied through the issuance of an aggregate of 1,431,736 common shares of the Company to the vendors and the remainder was settled in cash (the "Acquisition").

In addition, a portion of the purchase price payable in respect of the Acquisition is subject to an earn-out based on the earnings before interest, tax, depreciation and amortization (EBITDA) achieved by Achieve TMS during the twelve-month period following the closing of the Acquisition. As at June 30, 2020, the Company estimates the purchase price payable in respect of the earn-out to be \$5,250,000 (December 31, 2019 – nil) of which \$3,675,000 of this estimated amount would be settled in cash and the remainder would be settled through the issuance of common shares of the Company to the vendors, subject to regulatory and stock exchange approval. The amount recognized as at June 30, 2020 is based on management's best estimate of the earn-



# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 5. Business acquisition (continued):

out payable and is subject to estimation uncertainty given the economic environment as a result of the COVID-19 pandemic.

Achieve TMS operates TMS centers in California, Oregon and Alaska, with a particular focus on deep TMS therapy. The Acquisition provided the Company with a national footprint of over 100 TMS centers and a platform for further West Coast expansion through excellent brand recognition, physician reputation and high visibility within the West Coast TMS community.

The Acquisition has been accounted for using the acquisition method of accounting. The allocation of the purchase price consideration for the Acquisition is preliminary and is comprised as follows:

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### Purchase consideration:

Cash	\$ 6,886,812
Share issuance	2,611,044
Deferred and contingent consideration	1,274,402
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	\$ 10,772,258

### Net assets acquired:

Cash	\$ 175,346
Current assets	886,392
Capital and other assets	6,321,730
Current liabilities	(1,233,400)
Long-term liabilities	(5,415,460)
Covenants not to compete	310,000
Management services agreement	6,020,000
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	\$ 7,064,608

<b>Goodwill</b>	<b>\$ 3,707,650</b>
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The purchase price allocation is considered to be preliminary and subsequent adjustments during the measurement period may occur as the Company finalizes the purchase price in respect of deferred consideration held in escrow. The Company expects to finalize this determination during the three months ended September 30, 2020. The goodwill is primarily attributable to the ability to expand the Company's national footprint and the synergies expected to result from combining Achieve TMS' operations with the Company. Goodwill is deductible for tax purposes.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 5. Business acquisition (continued):

During the six months ended June 30, 2020, the Company paid \$224,402 in deferred and contingent consideration (December 31, 2019 – nil). The remaining deferred and contingent consideration payable balance, excluding the earn-out, as at June 30, 2020 is \$1,050,000 (December 31, 2019 – \$1,274,402). The related cash is being held in an escrow account subject to finalization of the escrow conditions.

## 6. Property, plant and equipment:

	Furniture and equipment	Leasehold improvements	TMS devices	Total
<b>Cost</b>				
Balance, December 31, 2019	\$ 175,416	\$ 183,103	\$ 1,792,984	\$ 2,151,503
Additions	–	–	264,911	264,911
Asset disposal	–	–	(50,093)	(50,093)
<b>Balance, June 30, 2020</b>	<b>\$ 175,416</b>	<b>\$ 183,103</b>	<b>\$ 2,007,802</b>	<b>\$ 2,366,321</b>
<b>Accumulated depreciation</b>				
Balance, December 31, 2019	\$ 83,408	\$ 5,291	\$ 396,473	\$ 485,172
Depreciation	14,771	12,796	124,577	152,144
Asset disposal	–	–	(4,413)	(4,413)
<b>Balance, June 30, 2020</b>	<b>\$ 98,179</b>	<b>\$ 18,087</b>	<b>\$ 516,637</b>	<b>\$ 632,903</b>
<b>Net book value</b>				
Balance, December 31, 2019	\$ 92,008	\$ 177,812	\$ 1,396,511	\$ 1,666,331
Balance, June 30, 2020	77,237	165,016	1,491,165	1,733,418

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 7. Intangible assets:

	Management service agreement	Covenant not to complete	Total
<b>Cost</b>			
Balance, December 31, 2019	\$ 6,020,000	\$ 310,000	\$ 6,330,000
Additions	–	–	–
<b>Balance, June 30, 2020</b>	<b>\$ 6,020,000</b>	<b>\$ 310,000</b>	<b>\$ 6,330,000</b>
<b>Accumulated amortization</b>			
Balance, December 31, 2019	\$ 105,907	\$ 16,362	\$ 122,269
Amortization	200,666	31,000	231,666
<b>Balance, June 30, 2020</b>	<b>\$ 306,573</b>	<b>\$ 47,362</b>	<b>\$ 353,935</b>
<b>Net book value</b>			
Balance, December 31, 2019	\$ 5,914,093	\$ 293,638	\$ 6,207,731
Balance, June 30, 2020	5,713,427	262,638	5,976,065

## 8. Right-of-use assets and leases liabilities:

The Company enters into lease agreements related to TMS devices and center locations. These lease agreements range from one year to eight years in length.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

Right-of-use assets, December 31, 2019	\$ 25,430,956
Additions to right-of-use assets	5,089,955
Disposals to right-of-use assets	(264,911)
Depreciation on right-of-use assets	(2,690,543)
<b>Right-of-use assets, June 30, 2020</b>	<b>\$ 27,565,457</b>

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 8. Right-of-use assets and leases liabilities (continued):

Lease liabilities have been measured by discounting future lease payments using a rate implicit in the lease or the Company's incremental borrowing rate at January 1, 2019. The Company's incremental borrowing rate applied during the period ended June 30, 2020 is 10% (December 31, 2019 – 10%).

Lease liabilities, December 31, 2019	\$ 25,391,757
Additions to lease liabilities	5,088,949
Interest expense on lease liabilities	1,328,707
Payments of lease liabilities	(3,509,848)
Lease liabilities, June 30, 2020	28,299,565
Less: current portion of lease liabilities	5,071,022
Long-term portion of lease liabilities	\$ 23,228,543

## 9. Accounts payable and accrued liabilities:

The accounts payable and accrued liabilities are as follows:

	June 30, 2020	December 31, 2019
Accounts payable	\$ 6,432,363	\$ 4,639,924
Accrued liabilities	1,874,974	2,371,925
	\$ 8,307,337	\$ 7,011,849

## 10. Loans payable:

(a) Bank loans:

	June 30, 2020	December 31, 2019
Bank loans	\$ 2,949,844	\$ 251,499
Less: Short-term portion of loans payable	1,391,125	101,107
Long-term portion of loans payable	\$ 1,558,719	\$ 150,392

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
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## 10. Loans payable (continued):

- (i) During the year ended December 31, 2018, the Company assumed loans from four separate banking institutions that were previously extended for the purchase of TMS devices to non-controlling interest holder partners. The TMS device loans were assumed as part of partnerships with local physicians, behavioural health groups or other strategic investors, which own minority interests in certain center subsidiaries. These TMS device loans bear an average interest rate of 10% with average monthly blended interest and capital payments of \$1,575 and mature (or matured, as applicable) during the years ended December 31, 2019 to December 31, 2023. There are no covenants associated with these loans.
  
- (ii) During the year ended December 31, 2019, the Company assumed loans from two separate banking institutions that were previously extended for the purchase of TMS devices to non-controlling interest holder partners. The TMS device loans were assumed as part of partnerships with local physicians, behavioural health groups or other investors, which own minority interests in certain center subsidiaries. These TMS device loans bear an average interest rate of 13% with average monthly blended interest and capital payments of \$1,756 and mature during the year ended December 31, 2021.

During the six months ended June 30, 2020, the Company was released from its obligations pertaining to one of the bank loans assumed during the year ended December 31, 2019 of \$45,680 as a result of the disposal of the related TMS device. During this period, the Company also repaid TMS device loans totalling \$42,317.

- (iii) During the six months ended June 30, 2020, the Company entered into a promissory note with U.S. Bank National Association, evidencing an unsecured loan in the amount of \$3,080,760 (the "Loan") made to the Company under the United States Paycheck Protection Program (the "PPP"). The PPP is a program organized by the U.S. Small Business Administration established under the recently-enacted Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Loan bears interest at a fixed rate of 1.0% per annum with average monthly blended interest and capital payments of \$172,145 with a maturity during the year ended December 31, 2022. Payments are deferred for the first six months under the Loan.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 10. Loans payable (continued):

The effective interest rate used to measure the fair value of the loan is 10% and the benefit of the interest rate concession is a grant which gives the Company economic benefits over the term of the Loan and recorded as deferred grant income (see note 11). The undiscounted face value of the Loan as at June 30, 2020 is \$3,080,760 (December 31, 2019 – nil) and the carrying amount is \$2,791,342 (December 31, 2019 – nil).

As federal authorities continue to update relevant policies and guidelines regarding the PPP, including some that may have retroactive effect, the Company is monitoring these developments and assessing any changes in the Company's eligibility for the PPP or any other subsidies or support mechanisms under the CARES Act.

### (b) Non-controlling interest loans:

	June 30, 2020	December 31 2019
Non-controlling interest loans	\$ 73,231	\$ 69,674

The non-controlling interest holder partners of the Company, from time to time, provide additional capital contributions in the form of capital loans to the Company's subsidiaries. These loans bear interest at a rate of 10%, compounded on a monthly basis. The loans are unsecured and are repayable subject to certain liquidity and solvency requirements and are classified as current liabilities.

## 11. Deferred grant income:

	June 30, 2020	December 31, 2019
Deferred grant income	\$ 309,198	\$ –
Short-term portion of deferred grant income	166,406	–
Long-term portion of deferred grant income	\$ 142,792	\$ –

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 12. Provisions:

During the year ended December 31, 2019, the Company provided for \$18,792 relating to the planned restructuring of its billing department. The restructuring is a direct result of ongoing efforts to optimize the Company's billing and reimbursement process subsequent to system conversions. This amount was paid in full during the six months ended June 30, 2020.

## 13. Common shares:

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2019 and June 30, 2020, there were nil preferred shares issued and outstanding.

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	Number	Total amount
December 31, 2019	58,418,443	\$ 50,185,756
Common shares issuances	9,093,940	10,156,967
June 30, 2020	67,512,383	\$ 60,342,723

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On May 21, 2020, the Company completed a public offering of 9,093,940 common shares at an offering price of C\$1.65 per common share for aggregate gross proceeds of \$10,767,589 (C\$15,005,001) and incurred transaction costs of \$610,622.

## 14. Contributed surplus:

Contributed surplus is comprised of share-based compensation and broker warrants.

### (a) Share-based compensation – stock options:

The Company operates an equity-settled, stock options-based payment compensation plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee and similar services. The plan is open to employees, directors, officers and consultants of the Company and its affiliates.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 14. Contributed surplus (continued):

The fair value of the grant of the options is recognized as an expense in the consolidated statements of net loss and comprehensive loss. The total amount to be expensed is determined by the fair value of the options granted. The total expense is recognized over the vesting period which is the period over which all of the service vesting conditions are satisfied. The vesting period is determined at the discretion of the Board and has ranged from immediate vesting to over three years. The maximum number of common shares reserved for issuance, in the aggregate, under the Company's option plan (and under any other share-based compensation arrangements of the Company) is 10% of the aggregate number of common shares outstanding. As at June 30, 2020, this represented 6,751,238 common shares.

The options have an expiry date of ten years from the applicable date of issue.

	June 30, 2020		December 31, 2019	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	2,998,168	\$ 1.36	2,670,000	\$ 1.17
Granted	797,500	1.89	385,000	2.63
Exercised	–	–	(53,332)	1.02
Cancelled	–	–	(3,500)	1.00
Outstanding, end of period	3,795,668	\$ 1.47	2,998,168	\$ 1.36

The weighted average remaining contractual life of the outstanding options as at June 30, 2020 was 6.3 years (December 31, 2019 – 6.8 years).

The total number of stock options exercisable as at June 30, 2020 was 2,699,333 (December 31, 2019 – 2,059,001).

During the three and six months ended June 30, 2020, the Company recorded a total share-based options compensation expense of \$175,447 and \$284,852, respectively (June 30, 2019 – \$162,155 and \$456,314, respectively).



# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 14. Contributed surplus (continued):

The following stock options were granted during the six months ended June 30, 2020:

- (iv) The fair value of the stock options granted on February 3, 2020 was estimated to be \$1.10 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 46.12% calculated based on a comparable company; remaining life of ten years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 2.02%.

The following stock options were granted during the year ended December 31, 2019:

- (i) The fair value of the stock options granted on June 28, 2019 was estimated to be \$1.13 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 45.74% calculated based on a comparable company; remaining life of 4.5 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.46%.
- (ii) The fair value of the stock options granted on May 9, 2019 was estimated to be \$1.46 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 46.48% calculated based on a comparable company; remaining life of ten years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.68%.
- (iii) The fair value of the stock options granted on March 27, 2019 was estimated to be \$1.44 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 47.88% calculated based on a comparable company; remaining life of ten years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.62%.

As at June 30, 2020, the total compensation cost not yet recognized related to options granted is approximately \$885,104 (June 30, 2019 - \$539,615) and will be recognized over the remaining average vesting period of 0.77 years (December 31, 2019 – 0.44 years).

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 14. Contributed surplus (continued):

(b) Broker warrants:

	June 30, 2020		December 31, 2019	
	Number of broker warrants	Weighted average exercise price	Number of broker warrants	Weighted average exercise price
Outstanding, beginning of period	1,068,186	\$ 2.22	503,646	\$ 2.00
Granted	–	–	564,540	2.41
Expired	(503,646)	2.00	–	–
Outstanding, end of period	564,540	\$ 2.41	1,068,186	\$ 2.22

There were no broker warrants issued during the six months ended June 30, 2020.

The following broker warrants were issued during the year ended December 31, 2019:

- (i) On May 17, 2019, in connection with the public offering and concurrent private placement of common shares, the Company issued 241,500 and 323,040 broker warrants, respectively, to the underwriters of such transactions. Each broker warrant vested upon issuance thereof and entitles the holder to acquire one common share of the Company at an exercise price of C\$3.25 and expires two years from the date of issue.

The fair value of the broker warrants granted on May 17, 2019 was estimated to be \$0.63 per broker warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 44.83% calculated based on a comparable company; remaining life of 2.0 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 1.69%.

The aggregate fair value of the issued broker warrants granted on May 17, 2019 of \$355,660 is recognized as part of the transaction costs in respect of the public offering and concurrent private placement described above, which is reflected in the common shares equity reserve. Each broker warrant vests immediately upon the issuance thereof and has a term to expiry of two years from the date of issue.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 14. Contributed surplus (continued):

The weighted average contractual life of the outstanding broker warrants as at June 30, 2020 was 0.9 years (December 31, 2019 – 0.8 years).

The total number of broker warrants exercisable as at June 30, 2020 was 564,540 (December 31, 2019 – 1,068,186).

The aggregate fair value of the broker warrants granted during the six months ended June 30, 2020 was nil (June 30, 2019 – \$355,660).

## 15. Contingencies:

The Company may be involved in certain legal matters arising from time to time in the normal course of business. The Company records provisions that reflect management's best estimate of any potential liability relating to these matters. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

## 16. Pensions:

The Company has adopted a defined contribution pension plan for its employees whereby the Company matches contributions made by participating employees up to a maximum of 3.5% of such employees' annual salaries. During the three and six months ended June 30, 2020, contributions, which were recorded as expenses within direct center and patient care costs, other regional and center support costs and corporate, general and administrative expenses, amounted to \$70,099 and \$157,304, respectively (June 30, 2019 – \$49,259 and \$97,119, respectively).

## 17. Income taxes:

During the three and six months ended June 30, 2020, there were no significant changes to the Company's tax position.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 18. Risk management arising from financial instruments:

In the normal course of business, the Company is exposed to risks related to financial instruments that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

### (a) Fair value:

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates their fair value given their short-term nature.

The carrying value of the loans payable, lease liabilities and deferred and contingent consideration approximates their fair value given the difference between the discount rates used to recognize the liabilities in the consolidated balance sheets and the market rates of interest is insignificant.

### (b) Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from patients and third-party payors including federal and state agencies (under the Medicare programs), managed care health plans and commercial insurance companies. The Company's exposure to credit risk is mitigated in large part due to the majority of the accounts receivable balance being receivable from large, creditworthy medical insurance companies and government-backed health plans. The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost when necessary. Loss allowances for accounts receivable are always measured at an amount equal to the expected credit losses for the subsequent 12-month period.

### (c) Liquidity risk:

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its financial commitments or can only do so at excessive cost. The Company ensures there is sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and its ability to draw on committed funds from its existing shareholders or to raise funds from external shareholders.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 18. Risk management arising from financial instruments (continued):

### (d) Currency risk:

Currency risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company has minimal exposure to currency risk as substantially all of the Company's revenue, expenses, assets and liabilities are denominated in U.S. dollars. The Company pays certain vendors and payroll costs in Canadian dollars from time to time, but due to the limited size and nature of these payments it does not give rise to significant currency risk.

### (e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have financial instruments that result in material exposure given the fixed rate nature of the Company's loans.

## 19. Capital management:

The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value.

The capital structure of the Company consists of its shareholders' equity (deficit), including contributed surplus and deficit, as well as loans payable.

The Company's primary uses of capital are to finance operations, finance new center start-up costs, increase non-cash working capital and capital expenditures. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide its services to its customers and returns to its shareholders. The Company, as part of its annual budgeting process, evaluates its estimated annual cash requirements to fund planned expansion activities and working capital requirements of existing operations. Based on this cash budget and taking into account its anticipated cash flows from operations and its holdings of cash, the Company validates that it has the sufficient capital or the ability to draw the required funds from shareholder commitments.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

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## 20. Related party transactions:

Transactions with significant shareholder – Greybrook Health Inc.:

As at June 30, 2020, \$29,827 is included in accounts payable and accrued liabilities for amounts payable for management services rendered and other overhead costs incurred by Greybrook Health Inc. in the ordinary course of business (December 31, 2019 – \$58,954). These amounts were recorded at their exchange amount, being the amount agreed to by the parties.

## 21. Basic and diluted loss per share:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net loss attributable to the shareholders of: Greenbrook TMS	\$ (9,477,505)	\$ (2,874,092)	\$(13,635,778)	\$ (5,444,514)
Weighted average common shares outstanding: Basic and diluted	62,460,194	52,133,145	60,428,153	49,828,760
Loss per share: Basic and diluted	\$ (0.15)	\$ (0.06)	\$ (0.23)	\$ (0.11)

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For the three and six months ended June 30, 2020, the effect of 3,795,668 (June 30, 2019 – 2,988,168) options have been excluded from the diluted calculations because this effect would be anti-dilutive. In addition, the earn-out consideration could result in the issuance of additional common shares (see note 5).

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 22. Non-controlling interest:

As a result of operating agreements with each of the following non-wholly owned entities, the Company has control over these entities under IFRS, as the Company has power over all significant decisions made by these entities and thus 100% of the financial results of these subsidiaries are included in the Company's consolidated financial results.

Name	Year incorporated	Ownership interest
Greenbrook TMS Arlington LLC	2018	70%
Greenbrook TMS Austin Central LLC	2018	80%
Greenbrook TMS Cary LLC	2016	75%
Greenbrook TMS Central Florida LLC	2019	90%
Greenbrook TMS Chapel Hill LLC	2017	90%
Greenbrook TMS Christiansburg LLC	2018	70%
Greenbrook TMS Cleveland LLC	2018	80%
Greenbrook TMS Connecticut LLC	2018	80%
Greenbrook TMS Easton LLC	2017	80%
Greenbrook TMS Fairfax LLC	2016	60%
Greenbrook TMS Greensboro LLC	2017	70%
Greenbrook TMS Houston LLC	2018	80%
Greenbrook TMS Lynchburg LLC	2017	70%
Greenbrook TMS Midlothian LLC	2016	80%
Greenbrook TMS Mooresville LLC	2018	80%
Greenbrook TMS Newport News, LLC	2016	75%
Greenbrook TMS North Detroit LLC	2019	90%
Greenbrook TMS North Raleigh LLC	2016	75%
Greenbrook TMS Roanoke LLC	2017	70%
Greenbrook TMS St. Louis LLC	2018	60%
Greenbrook TMS South Carolina LLC	2019	90%
Greenbrook TMS West Hartford LLC	2018	80%
Greenbrook TMS Wilmington LLC	2017	70%
Greenbrook TMS Winston-Salem LLC	2018	80%
TMS NeuroHealth Centers Ashburn, LLC	2015	51%
TMS NeuroHealth Centers Charlottesville, LLC	2014	65%
TMS NeuroHealth Centers Frederick, LLC	2015	75%
TMS NeuroHealth Centers Glen Burnie, LLC	2015	70%
TMS NeuroHealth Centers Greenbelt, LLC	2014	75%
TMS NeuroHealth Centers Reston, LLC	2014	51%
TMS NeuroHealth Centers Richmond, LLC	2014	65%
TMS NeuroHealth Centers Rockville, LLC	2014	51%
TMS NeuroHealth Centers Virginia Beach, LLC	2015	70%
TMS NeuroHealth Centers Woodbridge, LLC	2016	70%

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 22. Non-controlling interest (continued):

The following tables summarize the aggregate financial information for the above-noted entities for the periods indicated:

	June 30, 2020	December 31, 2019
Cash	\$ 531,769	\$ 1,033,584
Accounts receivable	6,713,503	6,389,384
Prepaid expenses and other	429,672	448,550
Property, plant and equipment	986,279	889,798
Right of use assets	10,533,496	10,348,295
Accounts payable and accrued liabilities	1,336,672	1,237,548
Loans payable	6,954,169	5,280,287
Lease liabilities	10,720,950	10,167,498
Profit attributable to the shareholders of Greenbrook TMS	221,684	1,979,874
Profit (deficit) attributable to non-controlling interest	(34,416)	305,244
Distributions paid to non-controlling interest	(1,010,130)	(866,630)
Subsidiary investment by non-controlling interest	—	405,000
Historical subsidiary investment by non-controlling interest	1,005,791	600,791

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	\$ 4,379,233	\$ 5,604,704	\$ 10,104,239	\$ 10,177,528
Net loss attributable to the shareholders of Greenbrook TMS	(941,891)	(226,479)	(1,574,922)	(584,704)
Net income (loss) attributable to non-controlling interest	(257,137)	32,985	(339,660)	(36,680)



# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars, unless otherwise stated)

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

## 23. Expenses by nature:

The components of the Company's other regional and center support costs include the following:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Salaries and bonuses	\$ 2,323,340	\$ 1,538,755	\$ 4,849,530	\$ 2,790,176
Marketing expenses	1,087,698	674,531	1,954,800	1,138,572
<b>Total</b>	<b>\$ 3,411,038</b>	<b>\$ 2,213,286</b>	<b>\$ 6,804,330</b>	<b>\$ 3,928,748</b>

The components of the Company's corporate, general and administrative expenses include the following:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Salaries and bonuses	\$ 2,398,594	\$ 1,456,050	\$ 5,022,025	\$ 2,916,151
Marketing expenses	298,237	427,543	603,685	631,889
Professional and legal fees	115,322	508,519	517,934	704,343
Computer supplies and software	181,920	146,724	395,304	257,207
Travel, meals and entertainment	4,799	70,599	130,411	214,311
Other	135,301	253,050	341,310	470,926
<b>Total</b>	<b>\$ 3,134,173</b>	<b>\$ 2,862,485</b>	<b>\$ 7,010,669</b>	<b>\$ 5,194,827</b>