



Greenbrook TMS Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three- and nine-month periods ended September 30, 2019 and 2018

November 4, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") provides information concerning the financial condition and results of operations of Greenbrook TMS Inc. (the "Company", "Greenbrook", "us" or "we"). This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2019 and 2018, including the related notes thereto, and our audited consolidated financial statements, including the related notes thereto, for the fiscal years ended December 31, 2018 and 2017 and the related management's discussion and analysis.

BASIS OF PRESENTATION

Our unaudited 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"). Our fiscal year is the 12-month period ending December 31. The next fiscal year will occur in the 12-month period ending December 31, 2019 ("Fiscal 2019").

The Company was incorporated under the *Business Corporations Act* (Ontario) on February 9, 2018 as a wholly-owned subsidiary of TMS NeuroHealth Centers, Inc. ("TMS US"). On March 29, 2018, each shareholder of TMS US exchanged its shares of common stock of TMS US for common shares of the Company ("Common Shares") on a one-for-one basis. As a result of this exchange, the shareholders of TMS US became the shareholders of the Company in the same proportions as their previous shareholdings in TMS US, and TMS US became a wholly-owned subsidiary of the Company, carrying on business through its operating subsidiaries (the "Reorganization"). The Reorganization did not result in any changes in the management, operations or assets of TMS US or its operating subsidiaries. Financial information presented in this MD&A reflects the consolidated financial condition, performance and cash flows of the operating business of which TMS US was the holding company through March 29, 2018 and Greenbrook TMS Inc. became the holding company effective as of March 29, 2018.

All references in this MD&A to "Q3 2019" are to our fiscal quarter for the three-month period ended September 30, 2019 and all references to "Q3 2018" are to our fiscal quarter for the three-month period ended September 30, 2018. All references to "Q2 2019" are to our fiscal quarter for the three-month period ended June 30, 2019 and all references to "Q2 2018" are to our fiscal quarter for the three-month period ended June 30, 2018. All references to "Q4 2018" are to our fiscal quarter for the three-month period ended December 31, 2018. All references in this MD&A to "YTD 2019" or "year-to-date 2019" are to the nine-month period ended September 30, 2019 and all references to "YTD 2018" or "year-to-date 2018" are to the nine-month period ended September 30, 2018. All references in this MD&A to "Fiscal 2018" are to our fiscal year for the period ended December 31, 2018.

Amounts stated in this MD&A are in United States dollars, unless otherwise indicated.

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES AND INDUSTRY METRICS

This MD&A makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, loss attributable to the common shareholders of Greenbrook or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including, "EBITDA" and "Adjusted EBITDA". This MD&A also refers to "Same-

Region Sales Growth” which is an operating metric used in the industry in which we operate but may be calculated differently by other companies. These non-IFRS measures, including industry metrics, are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including industry metrics, in the evaluation of issuers. Our management also uses non-IFRS measures, including industry metrics, to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

We define such non-IFRS measures, including industry metrics, as follows:

“**Adjusted EBITDA**” is defined as net income (loss) before depreciation, interest expenses, interest income and income taxes, adjusted for share-based compensation expenses, center development costs (as outlined in the unaudited condensed interim consolidated financial statements and the notes thereto), and non-recurring expenses. We believe our Adjusted EBITDA metric is a meaningful financial metric as it measures the ability of our current TMS Center (as defined below) operations to generate earnings while eliminating the impact of costs incurred related to our TMS Center growth plans and share-based compensation expenses, neither of which has an impact on the operating performance of our existing TMS Center network.

“**EBITDA**” is defined as net income (loss) before depreciation, interest expenses, interest income and income taxes.

“**Same-Region Sales Growth**” is a metric used to compare the percentage change in sales derived from established management regions in a certain period as compared to the sales from the same management regions in the same period of the prior year and functions as an indicator of organic growth. We monitor our business on a regional basis to focus on increasing patient volume within a management region in addition to assessing individual TMS Center locations on a standalone basis. As a result, we will from time to time establish a TMS Center that may, over the short term, negatively impact the patient volume at another TMS Center, but which is expected to add incremental patient volume to the management region as a whole in an economically beneficial manner. We believe our Same-Region Sales Growth metric helps quantify our sales growth within regional management areas and the related growth opportunities associated with adding TMS Center density within established management regions. Same-Region Sales Growth is calculated based on management regions containing open TMS Centers that have performed billable TMS services for a period of at least one full year prior to each of the comparable periods. Our Same-Region Sales Growth is unique to our financial management strategy and may be calculated differently compared to other companies.

See “Reconciliation of Loss Attributable to the Common Shareholders of Greenbrook to EBITDA and Adjusted EBITDA” for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Some of the information contained in this MD&A contains forward-looking information. This information is based on management’s reasonable assumptions and beliefs in light of the information currently available to us and is current as of the date of this MD&A. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information contained in this MD&A as a result of various factors.

Particularly, information regarding our expectations of future results, performance, growth, accelerated expansion, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of

forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors discussed in the “Risks and Uncertainties” section of this MD&A. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the Company’s annual information form dated March 27, 2019 in respect of the fiscal year ended December 31, 2018. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

The purpose of the forward-looking information is to provide the reader with a description of management’s current expectations regarding the Company’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking information contained herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and are subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW

We are a leading provider of Transcranial Magnetic Stimulation (“**TMS**”) therapy in the United States for the treatment of Major Depressive Disorder (“**MDD**”) and other mental health disorders. The predecessor to the Company, TMS US, was established in 2011 to take advantage of the opportunity created through the paradigm-shifting technology of TMS, an FDA-cleared, non-invasive therapy for the treatment of MDD. Our business model takes advantage of the opportunity for a new, differentiated service channel for the delivery of TMS – a patient-focused, centers-based service model to make TMS treatment easily accessible to all patients while maintaining a high standard of care.

After opening our first center in 2011 in Tysons Corner in Northern Virginia, we have grown to control and operate a network of outpatient mental health service centers that specialize in TMS treatment across the United States (each, a “**TMS Center**”). The Company offers TMS treatment facilities in convenient locations to provide easy access to patients and physicians. As of September 30, 2019, the Company owned and operated 106 TMS Centers in the Commonwealth of Virginia, and the States of Maryland, Delaware, North Carolina, Missouri, Ohio, Texas, Connecticut, Florida, South Carolina, Michigan, Alaska, Oregon and California. Subsequent to September 30, 2019, our TMS Center network further expanded with three additional TMS Centers established as part of our ongoing expansion strategy. As of the date of this MD&A, the Company owns and operates 109 TMS Centers across the United States.

Our regional model seeks to develop leading positions in key regional markets, leveraging operational efficiencies by combining smaller local TMS treatment centers that are strategically located within a single region for convenient patient and physician access, with regional management infrastructure in place to support center operations. Management regions typically cover a specific metropolitan area that meets a requisite base population threshold. The management region is typically defined by a manageable geographic area in terms of size, which facilitates the use of regional staff working across the various TMS Center locations within the management region, and which resides within a marketing capture area that allows for efficiencies in advertising cost. Management regions often have similar economic characteristics and are not defined by state lines, other geographic borders, or differentiating methods of services delivery, but rather are defined by a functional management area.

FACTORS AFFECTING OUR PERFORMANCE

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below. See also the “Risks and Uncertainties” section of this MD&A.

Number of TMS Centers

We have a meaningful opportunity to continue to grow the number of our TMS Centers in the United States through organic in-region growth, establishing new regions and potential acquisitions. The opening and success of new TMS Centers is subject to numerous factors, including our ability to locate the appropriate space, finance the operations, build relationships with physicians, and negotiation of suitable lease terms and local payor arrangements, and other factors, some of which are beyond our control.

Competition

The market for TMS is becoming more competitive. We compete principally on the basis of our reputation and brand, the location of our centers and the quality of our TMS services and the reputation of our partner physicians. In the markets in which we are operating, or anticipate operating, competition predominantly consists of individual psychiatrists that have a TMS device, an FDA-regulated medical device specifically manufactured to transmit the magnetic pulses required to stimulate the cortical areas in the brain to effectively treat MDD and other mental health disorders (each, a “**TMS Device**”), in their office and who can offer TMS therapy directly to their patients. We also face competition from a limited number of multi-location psychiatric practices or behavioural health groups that offer TMS therapy as part of their overall practice, as well as a few other specialist TMS providers.

Industry Trends

Our revenue is impacted by changes to United States healthcare laws, our partners’ and contractors’ healthcare costs, the ability to secure favourable pricing structures with device manufacturers and payors’ reimbursement criteria and associated rates.

Technology

Our revenues are affected by the availability of, and reimbursement for, new TMS indications, new technology or other novel treatment modalities and our ability to incorporate the new technology into our TMS Centers.

Segments

We evaluate our business and report our results based on organizational units used by management to monitor performance and make operating decisions on the basis of one operating and reportable segment: Outpatient Mental Health Service Centers. We currently measure this reportable operating segment’s performance based on revenues and regional operating income.

COMPONENTS OF OUR RESULTS OF OPERATIONS AND TRENDS AFFECTING OUR BUSINESS

In assessing our results of operations and trends affecting our business, we consider a variety of financial and operating measures that affect our operating results.

Total Revenue

Total revenue consists of service revenue attributable to the performance of TMS treatments. In circumstances where the net patient fees have not yet been received, the amount of revenue recognized is estimated based on an expected value approach where management considers such variables as the average of previous net patient fees received by the applicable payor and fees received by other patients for similar services, the credit ratings of the payors and management's best estimate leveraging industry knowledge and expectations of third-party payors' fee schedules. Third party payors include federal and state agencies (under the Medicare programs), managed care health plans and commercial insurance companies.

Regional Operating Income (Loss) and Direct Center and Regional Costs

Regional operating income (loss) is calculated as total revenue less direct center and regional costs. Direct center and regional costs consist of direct center and patient care costs, regional employee compensation, regional marketing expenses and depreciation. These costs encapsulate all costs (other than incentive compensation such as share-based compensation granted to senior regional employees) associated with the center and regional management infrastructure, including the cost of the delivery of TMS treatments to patients and the cost of our regional patient acquisition strategy.

Center Development Costs and Working Capital Investment

Center development costs represent direct expenses associated with developing new centers, including small furnishings and fittings, wiring and electrical and in some cases the cost of minor space alterations. However, the main cash requirement for center development relates to working capital investment. This includes rental deposits or other non-capital costs required to open centers and the cost of TMS treatment delivery while collections initially lag until payor contracting, credentialing and enrollment processes are completed.

Corporate Employee Compensation

Corporate employee compensation represents compensation incurred to manage the centralized business infrastructure of the Company, including annual base salary, annual cash bonuses and other non-equity incentives.

Corporate Marketing Expenses

Corporate marketing expenses represent costs incurred that impact the Company on an overall basis including investments in website functionality and brand management activities.

Other Corporate, General and Administrative Expenses

Other corporate, general and administrative expenses represent expenses related to the corporate infrastructure required to support our ongoing business including insurance costs, legal and accounting costs and costs incurred related to our corporate offices. We anticipate an increase to accounting, legal and professional fees associated with operating as a public company that will be reflected in our corporate, general and administrative expenses.

We expect our corporate, general and administrative expenses to increase as we continue to open new TMS Centers. We have invested heavily in this area to support the growing volume and complexity of our business and anticipate continuing to do so in the future. As we continue to grow, we anticipate that we will be able to scale our investments and leverage our fixed costs.

Share-Based Compensation

Share-based compensation represents stock options granted as consideration in exchange for employee and similar services to align personnel performance with the Company's long-term goals.

Interest

Interest expense relates to interest incurred on loans and lease liabilities. Interest income relates to income realized as a result of investing excess funds into investment accounts.

Adjusted EBITDA and Non-Recurring Expenses

Adjusted EBITDA and non-recurring expenses represent additional disclosures pertaining to one-time costs incurred to enhance the performance of the business. These may include one-time costs relating to personnel training and consulting services relating to the implementation of new systems infrastructure. These expenses are excluded from Adjusted EBITDA as they relate to our TMS Center growth.

FACTORS AFFECTING THE COMPARABILITY OF OUR RESULTS

Regional Development Activity and Acquisitions

Our regional model seeks to develop leading positions in key markets, and to leverage operational efficiencies by combining smaller local TMS treatment centers within a region under a single shared regional management infrastructure. Part of our core strategy is to continue to develop new centers within our existing regions as well as in new management regions, in each case, organically or through acquisitions of existing centers or businesses, which may affect comparability of results.

Public Company Expenses

As a public company, we have implemented and will continue to implement additional procedures and processes for the purpose of addressing the standards and requirements applicable to reporting issuers. As such, we expect to incur additional annual expenses, including additional directors' and officers' liability insurance, director fees, public company reporting costs, transfer agent fees, additional accounting fees, administrative expenses, increased auditing and legal fees and similar expenses that were not incurred in periods prior to becoming a public company. We also expect to recognize certain non-recurring costs as part of our transition to a publicly traded company, consisting of professional fees and other expenses.

Implementation of IFRS 16, Leases

The Company adopted IFRS 16 effective as at January 1, 2019 using the modified retrospective approach. As a result of this approach, the prior year figures were not adjusted. See "Changes in Significant Accounting Policies (a) Adoption of IFRS 16, Leases" and "Pre-IFRS 16 Reconciliation".

KEY HIGHLIGHTS AND RECENT DEVELOPMENTS

During Q3 2019, we sustained strong revenue growth as we continued to rapidly expand our TMS Center network. We also completed the acquisition of Achieve TMS Centers, LLC and Achieve TMS Alaska, LLC (collectively, "**Achieve TMS**"), which, combined with our existing TMS Center network, provides us with a national footprint of over 100 TMS Centers and a platform for further expansion in the western United States through excellent brand recognition, physician reputation and high visibility in the TMS community of the western United States. See "Acquisition of Achieve TMS" below for further details.

Achieve TMS represents our first acquisition, which, together with our organic in-region and new regional development strategy, will form one of the core pillars for our long-term sustained growth. As part of our planned expansion strategy for 2019, we added 27 active TMS Centers during Q3 2019, with an additional 12 in development as at September 30, 2019, representing a significant acceleration in

development activity compared to Q3 2018 and YTD 2018. As at the date of this MD&A we now have 109 TMS Centers, which is more than double the number of centers compared to this time last year.

Our primary strategy remains disciplined growth through accelerated expansion activity paired with investments in our business infrastructure, which are required to manage rapid growth. Our expansion activity and investments in our business have, however, affected our regional operating income and the loss for the period.

Growth in Total Revenue

Consolidated revenue increased by 58% to \$8.5 million in Q3 2019 (Q3 2018: \$5.3 million), 63% to \$23.1 million during YTD 2019 (YTD 2018: \$14.2 million) and 5% from Q2 2019 (Q2 2019: \$8.1 million). This reflects an acceleration in our year-over-year growth as compared to the annual growth rate of 54% realized for Fiscal 2018. This growth was enabled by the continued execution of our regional expansion strategy paired with organic growth.

With 12 TMS Centers in-development due to start actively contributing to revenue, paired with a robust development pipeline and active centers acquired as part of the acquisition of Achieve TMS, we expect to sustain a strong year-over-year growth rate as we move through Fiscal 2019. See “Cautionary Note Regarding Forward-Looking Information”.

Growth in Regional Operating Income

Regional operating income increased by 62% to \$0.8 million in Q3 2019 (Q3 2018: \$0.5 million) and 72% to \$2.4 million during YTD 2019 (YTD 2018: \$1.4 million). Before adjusting for the effects of IFRS 16, regional operating income remained substantially flat in Q3 2019 and YTD 2019 compared to Q3 2018 and YTD 2018, respectively (see “Pre-IFRS 16 Reconciliation”). This is predominantly due to the inclusion of six newly active TMS Centers and 12 TMS Centers in-development across six new regions in development, which will take time to generate positive regional operating income.

Please refer to “Changes in Significant Accounting Policies”.

Acquisition of Achieve TMS

On September 26, 2019, we, through our wholly-owned subsidiary, 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 for a purchase price of \$10,533,862 (net of Achieve TMS’ cash and debt and subject to customary working capital adjustments), 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 “**Achieve TMS Acquisition**”). In addition, a portion of the purchase price payable in respect of the Achieve TMS Acquisition is subject to an earn-out based on the EBITDA achieved by Achieve TMS during the twelve-month period following the closing of the Achieve TMS Acquisition.

Achieve TMS currently operates 21 TMS Centers in California, Oregon and Alaska, with a particular focus on deep TMS therapy. Since its inception in 2016, Achieve TMS as provided more than 45,000 treatments to patients struggling with depression.

We expect that the Achieve TMS Acquisition will provide us with a national footprint with high visibility in the West Coast TMS community, a foundation for future growth in the area and the ability to realize operational synergies. The Achieve TMS Acquisition comes with robust payor contracts, excellent brand recognition and physician reputation and a strong management team. From the date of the acquisition up to and including September 30, 2019, the acquisition has contributed service revenues of \$114,816.

Investment in the Centralized Business Infrastructure

Significant investments in our business infrastructure and increased staffing of our shared-services functions in Fiscal 2018 and YTD 2019 increased aggregate corporate costs (including corporate employee compensation, corporate marketing expenses and other corporate, general and administrative expenses) by 102% to \$2.7 million in Q3 2019 (Q3 2018: \$1.4 million) and by 113% to \$7.9 million in YTD 2019 (YTD 2018: \$3.7 million).

We expect that these investments will promote efficient integration and effective management of our growing TMS Center network. As anticipated, the Q3 2019 corporate costs as a percentage of revenue of 33% has decreased as compared to the YTD 2019 corporate costs as a percentage of revenue of 35%. We expect that corporate, general and administrative expenses as a percentage of revenue will continue to decrease throughout Fiscal 2019 and that we will be able to scale our investments and leverage these fixed costs as we expand our TMS Center network. See “Cautionary Note Regarding Forward-Looking Information”.

Continued Development of our TMS Center Network

We added 27 active TMS Centers during Q3 2019 with an additional 12 in development as at September 30, 2019. Subsequent to the end of Q3 2019, we continued to increase our TMS Center network bringing our total number of TMS Centers to 109 as at the date of this MD&A, which is more than double the number of centers compared to this time last year.

RESULTS OF OPERATIONS

Selected Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below has been derived from our unaudited condensed interim consolidated financial statements and related notes.

(US\$)	Q3 2019 (unaudited)	Q3 2018 (unaudited)⁽¹⁾	YTD 2019 (unaudited)	YTD 2018 (unaudited)⁽¹⁾
Total Revenue	8,459,103	5,338,364	23,148,860	14,166,560
Direct center and patient care costs	4,267,769	3,533,931	11,655,616	9,450,428
Regional employee compensation	1,670,037	806,643	4,460,213	1,999,120
Regional marketing expenses	742,482	506,884	1,881,054	1,287,838
Depreciation	1,008,002	14,350	2,751,998	35,724
<i>Total direct center and regional costs</i>	7,688,290	4,861,808	20,748,881	12,773,110
Regional Operating Income	770,813	476,556	2,399,979	1,393,450
Center development costs	496,509	91,311	1,176,180	397,821
Corporate employee compensation	1,420,069	708,586	4,336,220	1,742,105
Corporate marketing expenses	578,330	286,481	1,210,219	675,293
Transaction costs	378,407	467,375	378,407	920,347
Other corporate, general and administrative expenses	748,297	384,667	2,395,084	1,307,094
Share-based compensation	117,112	64,668	573,426	249,239
Interest expense	513,138	2,046	1,316,795	79,900
Interest income	(116,035)	(38,529)	(140,144)	(47,930)
Loss before income taxes	(3,365,014)	(1,469,049)	(8,846,208)	(3,930,419)
Income tax expense	-	-	-	-

Loss for the year and comprehensive loss	(3,365,014)	(1,469,049)	(8,846,208)	(3,930,419)
Income attributable to non-controlling interest	65,995	11,440	29,315	78,593
Loss attributable to the common shareholders of Greenbrook	(3,431,009)	(1,480,489)	(8,875,523)	(4,009,012)
Loss for the year attributable to:				
Non-controlling interest	65,995	11,440	29,315	78,593
Common shareholders of Greenbrook	(3,431,009)	(1,480,489)	(8,875,523)	(4,009,012)
Net loss per share (basic and diluted)	(0.06)	(0.04)	(0.17)	(0.11)

Note:

- (1) The Company adopted IFRS 16 effective as at January 1, 2019 using the modified retrospective approach. As a result of this approach the prior year figures were not adjusted. See “Changes in Significant Accounting Policies (a) Adoption of IFRS 16, Leases” and “Pre-IFRS 16 Reconciliation” for further details.

Selected Financial Position Data

The following table provides selected financial position data for the years and periods indicated:

(US\$)	Nine months ended September 30,		Fiscal
	2019 (unaudited)	2018 ⁽¹⁾ (unaudited)	2018 ⁽¹⁾ (audited)
Cash	11,569,134	12,111,170	9,381,600
Current assets (excluding cash)	13,550,697	5,986,998	8,769,397
Total assets	62,667,384	18,399,349	19,062,463
Current liabilities (excluding shareholder loans)	11,524,502	3,518,104	4,238,426
Non-current liabilities	21,200,022	-	183,272
Total liabilities	32,724,524	3,518,104	4,421,698
Non-controlling interests	523,380	54,302	544,465
Shareholders' equity	29,942,660	14,881,245	14,640,765

Note:

- (1) The Company adopted IFRS 16 effective as at January 1, 2019 using the modified retrospective approach. As a result of this approach, the prior year figures were not adjusted. See “Changes in Significant Accounting Policies (a) Adoption of IFRS 16, Leases” and “Pre-IFRS 16 Reconciliation” for further details.

Selected Operating Data

The following table provides selected operating data for the years and periods indicated:

(unaudited)	As at September 30,		As at December 31,
	2019	2018	2018
Number of active TMS Centers ⁽¹⁾	94	39	47
Number of TMS Centers-in-development ⁽²⁾	12	4	10
Total TMS Centers	106	43	57
Number of management regions	13	4	8
Number of TMS Devices installed	164	90	108
Number of regional personnel	253	114	132
Number of shared-services / corporate personnel ⁽³⁾	36	16	17
Number of TMS providers ⁽⁴⁾	102	39	46
Number of consultations performed	5,560	2,956	4,211
Number of patient starts	2,888	1,825	2,626
Number of TMS treatments performed	104,096	65,484	95,621
Average revenue per TMS treatment	\$222	\$216	\$222

Notes:

- (1) Active TMS Centers represent TMS Centers that have performed billable TMS services.
- (2) TMS Centers-in-development represents TMS Centers that have committed to a space lease agreement and the development process is substantially complete.
- (3) Shared-services / corporate personnel is disclosed on a full-time equivalent basis. The Company utilizes part-time staff and consultants as a means of managing costs.
- (4) Represents physician partners that are involved in the provision of TMS therapy services from our TMS Centers.

ANALYSIS OF RESULTS FOR Q3 2019 AND YTD 2019

The following section provides an overview of our financial performance during Q3 2019 compared to Q3 2018 and during YTD 2019 compared to YTD 2018.

Total Revenue

Consolidated revenue increased by 58% to \$8.5 million in Q3 2019 (Q3 2018: \$5.3 million) and 63% to \$23.1 million during YTD 2019 (YTD 2018: \$14.2 million). This reflects an acceleration in our year-over-year growth as compared to the annual growth rate of 54% realized for Fiscal 2018. This growth was enabled by the continued execution of our regional expansion strategy, including the Achieve TMS Acquisition, paired with organic growth. Our ability to systematically add in-region density to strengthen our network reach and strong market growth yielded Same-Region Sales Growth of 24% and 31% in Q3 2019 and YTD 2019, respectively, which is consistent with our Q2 2019 results.

Average revenue per treatment increased by 2% to \$223 in Q3 2019 (Q3 2018: \$218) and 3% to \$222 during YTD 2019 (YTD 2018: \$216). This increase was predominantly attributable to an increase in reimbursement rates from certain payors with which we have had long-standing relationships in our established regions. As a result of the Achieve TMS Acquisition, we expect the average revenue per treatment to increase due to generally favourable reimbursement rates in the jurisdictions in which the TMS Centers of Achieve TMS operate. See “Cautionary Note Regarding Forward-Looking Information”.

Accounts Receivable

Due to the continued velocity of development, paired with changes in our billing and reimbursement systems and the Achieve TMS Acquisition, accounts receivable increased by \$4.4 million from Q4 2018 to \$11.5 million in Q3 2019 (Q4 2018: \$7.1 million) and by \$2.0 million from Q2 2019. The systems conversions and the significant number of new TMS Centers where the effects of payor contracting and billing system setup impacts the normal cash conversion cycle will continue to impact the level of accounts receivable in the near term. We are actively investing in resources to reduce the level of accounts receivable days outstanding.

Regional Operating Income (Loss) and Direct Center and Regional Costs

Regional operating income increased by 62% to \$0.7 million in Q3 2019 (Q3 2018: \$0.5 million) and 72% to \$2.4 million during YTD 2019 (YTD 2018: \$1.4 million). Before adjusting for the effects of IFRS 16, regional operating income remained substantially flat in Q3 2019 and YTD 2019 compared to Q3 2018 and YTD 2018, respectively (see “Pre-IFRS 16 Reconciliation” below). This is due to the inclusion of six newly active TMS Centers and 12 TMS Centers in development across six new regions in development, which will take time to generate positive regional operating income. The regional operating margin was 9.1% in Q3 2019 as compared to 8.9% in Q3 2018 and 10.4% in YTD 2019 as compared to 9.8% in YTD 2018. Before adjusting for the effects of IFRS 16, the regional operating margin was 5.6% in Q3 2019 and 6.5% YTD 2019.

Direct center and regional costs increased by 58% to \$7.7 million in Q3 2019 (Q3 2018: \$4.9 million) and 62% to \$20.7 million during YTD 2019 (YTD 2018: \$12.8 million). The increase was

primarily due to the addition of regional employee costs and regional marketing costs associated with the addition of six active TMS Center locations during Q3 2019 as well as the establishment of six new management regions.

Please refer to “Changes in Significant Accounting Policies” for the accounting implications resulting from the adoption of IFRS 16 and to “Pre-IFRS 16 Reconciliation” for Q3 2019 and YTD results before adjusting for the effects of IFRS 16.

Center Development Costs, Capital Expenditures and Working Capital Investment

Center development costs increased by 444% to \$0.5 million in Q3 2019 (Q3 2018: \$0.1 million) and 196% to \$1.2 million during YTD 2019 (YTD 2018: \$0.4 million) as a result of increased development activity. Average cash investment to establish new TMS Centers (including center development costs, capital expenditures and working capital investment) increased to \$0.17 million in Q3 2019 and YTD 2019 (Q3 2018 and YTD 2018: \$0.16 million) predominantly due to longer credentialing and payor contracting lead times in certain new regions resulting in higher working capital absorption.

Corporate Employee Compensation

Corporate employee compensation incurred to manage the centralized business infrastructure of the Company increased by 100% to \$1.4 million in Q3 2019 (Q3 2018: \$0.7 million) and 149% to \$4.3 million during YTD 2019 (YTD 2018: \$1.7 million). As anticipated, the Q3 2019 growth rate in corporate employee compensation has decreased as compared to the YTD 2019 growth rate. We expect the slowing of organic corporate recruitment to continue throughout Fiscal 2019 and that we will be able to scale our investments and leverage these fixed costs as we continue to expand our TMS Center network. See “Cautionary Note Regarding Forward-Looking Information”.

Corporate Marketing Expenses

Corporate marketing expenses increased by 118% to \$0.6 million in Q3 2019 (Q3 2018: \$0.3 million) and increased by 79% to \$1.2 million during YTD 2019 (YTD 2018: \$0.7 million). The increase was primarily due to the enhancement of our marketing strategy implemented by our new Chief Marketing Officer hired in Q2 2019.

Other Corporate, General and Administrative Expenses

Other corporate, general and administrative expenses have increased by 95% to \$0.7 million in Q3 2019 (Q3 2018: \$0.4 million) and increased 83% to \$2.4 million during YTD 2019 (YTD 2018: \$1.3 million). The increase was primarily due to professional fees associated with our billing and reimbursement systems.

Share-Based Compensation

Share-based compensation increased by 81% to \$0.12 million in Q3 2019 (Q3 2018: \$0.06 million) and 130% to \$0.57 million during YTD 2019 (YTD 2018: \$0.25 million). The increase was predominantly due to stock options granted to key personnel and directors to ensure retention and long-term alignment with goals of the Company in Q4 2018 and in the first half of Fiscal 2019.

Interest

Interest expense increased by \$0.5 million to \$0.5 million in Q3 2019 (Q3 2018: \$0.001 million) and by \$1.2 million to \$1.3 million during YTD 2019 (YTD 2018: \$0.1 million). The increase in interest expense is primarily due to the adoption of IFRS 16 (see “Changes in Significant Accounting Policies” and “Pre-IFRS 16 Reconciliation” in this MD&A).

Interest income increased by 201% to \$0.12 million in Q3 2019 (Q3 2018: \$0.04 million) and 192% to \$0.14 million during YTD 2019 (YTD 2018: \$0.05 million) as a result of an increased amount of excess funds invested.

Loss for the Period and Comprehensive Loss and Loss for the Period Attributable to the Common Shareholders of Greenbrook

The loss for the period and comprehensive loss increased by 129% to \$3.4 million in Q3 2019 (Q3 2018: \$1.5 million) and 125% to \$8.8 million during YTD 2019 (YTD 2018: \$3.9 million). This increase is primarily a result of lower regional operating margins due to the six new management regions in development, which will take time to generate positive regional operating income, higher corporate costs due to investments in the centralized business infrastructure and transaction costs associated with the Achieve TMS Acquisition as outlined in “Regional Operating Income (Loss) and Direct Center and Regional Costs”, “Corporate Employee Compensation”, “Other Corporate, General and Administrative Expenses” and “Adjusted EBITDA and Non-Recurring Expenses” in this MD&A.

The loss attributable to the common shareholders of Greenbrook increased by 132% to \$3.4 million in Q3 2019 (Q3 2018: \$1.5 million) and 115% to \$8.9 million during YTD 2019 (YTD 2018: \$4.0 million). This increase is primarily a result of lower regional operating margins due to six new management regions in development, which will take time to generate positive regional operating income, higher corporate costs due to investments in the centralized business infrastructure and transaction costs associated with the Achieve TMS Acquisition. See “Regional Operating Income (Loss) and Direct Center and Regional Costs”, “Corporate Employee Compensation”, “Other Corporate, General and Administrative Expenses” and “Adjusted EBITDA and Non-Recurring Expenses” in this MD&A.

Adjusted EBITDA and Non-Recurring Expenses

The Adjusted EBITDA loss position increased by 23% to \$1.0 million in Q3 2019 (Q3 2018: \$0.8 million) and 33% to \$2.8 million during YTD 2019 (YTD 2018: \$2.1 million). The increase in the Adjusted EBITDA loss position was primarily a result of lower regional operating margins and higher corporate costs as outlined in “Corporate Employee Compensation”, “Other Corporate, General and Administrative Expenses”, “Regional Operating Income (Loss) and Direct Center and Regional Costs” in addition to transaction costs related to the Achieve TMS Acquisition outlined below.

Non-recurring expenses included expenses associated with the implementation of enhancements to our billing and reimbursement systems to manage our TMS Center growth, one-time legal and accounting professional fees associated with our transition to a publicly traded company in Fiscal 2018 and legal fees related to TMS Center growth. Transaction costs in Fiscal 2018 included one-time legal fees incurred as part of the initial public offering and one-time capital market advisory services. In Fiscal 2019, transaction costs included professional and legal fees associated with the Achieve TMS Acquisition.

Please refer to “Changes in Significant Accounting Policies” for the accounting implications resulting from the adoption of IFRS 16 and to “Pre-IFRS 16 Reconciliation” for Q3 2019 and YTD results before adjusting for the effects of IFRS 16.

QUARTERLY FINANCIAL INFORMATION

The following table summarizes the results of our operations for the eight most recently completed fiscal quarters.

(US\$)	<u>Q3 2019</u>	<u>Q2 2019</u>	<u>Q1 2019</u>	<u>Q4 2018</u>	<u>Q3 2018</u>	<u>Q2 2018</u>	<u>Q1 2018</u>	<u>Q4 2017</u>
<i>(unaudited)</i>								
Revenue	8,459,103	8,082,559	6,607,198	7,092,455	5,338,364	4,926,625	3,901,571	4,107,251
Regional Operating Income	770,813	1,002,166	627,000	1,418,347	476,556	697,293	219,601	766,305
Net income (loss) attributable to shareholders of Greenbrook	(3,431,009)	(2,874,092)	(2,570,422)	(949,031)	(1,480,489)	(1,372,984)	(1,155,539)	(1,011,376)
Adjusted EBITDA	(1,033,876)	(957,428)	(827,557)	(865,210)	(840,374)	(448,762)	(837,746)	(402,775)
Net income (loss) per share – Basic	(0.06)	(0.06)	(0.05)	(0.01)	(0.04)	(0.04)	(0.03)	(0.03)
Net income (loss) per share – Diluted	(0.06)	(0.06)	(0.05)	(0.01)	(0.04)	(0.04)	(0.03)	(0.03)

Consolidated revenue increased by 5% to \$8.5 million in Q3 2019 (Q2 2019: \$8.1 million). This growth was enabled by the continued execution of our regional expansion strategy, including the Achieve TMS Acquisition, which we expect will allow us to accelerate our expansion in the western United States in future periods, and strong organic growth.

Regional operating income decreased by 19% to \$0.8 million in Q3 2019 (Q2 2019: \$1.0 million) as a result of investment in new regions that have not yet scaled into their regional cost structure.

The loss attributable to the common shareholders of Greenbrook increased by 19% to \$3.4 million in Q3 2019 (Q2 2019: \$2.9 million). The increase in the loss attributable to the common shareholders of Greenbrook was due to increased corporate costs and transaction costs realized as part of the Achieve TMS Acquisition as outlined in “Adjusted EBITDA and Non-Recurring Expenses”, “Corporate Employee Compensation” and “Regional Operating Income (Loss) and Direct Center and Regional Costs”.

The Adjusted EBITDA loss position increased by 8% to \$1.0 million in Q3 2019 (Q2 2019: \$1.0 million). This increase in the Adjusted EBITDA loss position was primarily due to the inclusion of six newly active TMS Centers and 12 TMS Centers in development across six new management regions in development, which will take time to generate positive regional operating income and increased corporate costs as outlined in “Adjusted EBITDA and Non-Recurring Expenses”, “Corporate Employee Compensation” and “Regional Operating Income (Loss) and Direct Center and Regional Costs”.

Please refer to “Changes in Significant Accounting Policies” for the accounting implications resulting from the adoption of IFRS 16 and to “Pre-IFRS 16 Reconciliation” for Q3 2019 and YTD results before adjusting for the effects of IFRS 16.

EBITDA AND ADJUSTED EBITDA

The table below illustrates our EBITDA and Adjusted EBITDA for the periods presented:

(US\$)	<u>Q3 2019</u> <u>(unaudited)</u>	<u>Q3 2018</u> <u>(unaudited)</u> ⁽¹⁾	<u>YTD 2019</u> <u>(unaudited)</u>	<u>YTD 2018</u> <u>(unaudited)</u> ⁽¹⁾
EBITDA	(2,025,904)	(1,502,622)	(4,946,874)	(3,941,318)
Adjusted EBITDA	(1,033,876)	(840,374)	(2,818,861)	(2,126,882)

Note:

- (1) The Company adopted IFRS 16 effective as at January 1, 2019 using the modified retrospective approach. As a result of this approach the prior year figures were not adjusted. See “Changes in Significant Accounting Policies (a) Adoption of IFRS 16, Leases” and “Pre-IFRS 16 Reconciliation” for further details

See “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” in this MD&A.

RECONCILIATION OF LOSS ATTRIBUTABLE TO THE COMMON SHAREHOLDERS OF GREENBROOK TO EBITDA AND ADJUSTED EBITDA

The table below illustrates a reconciliation of loss attributable to the common shareholders of Greenbrook to EBITDA and Adjusted EBITDA for the periods presented:

(US\$)	<u>Q3 2019</u> <u>(unaudited)</u>	<u>Q3 2018</u> <u>(unaudited) ⁽¹⁾</u>	<u>YTD 2019</u> <u>(unaudited)</u>	<u>YTD 2018</u> <u>(unaudited) ⁽¹⁾</u>
Loss attributable to the common shareholders of Greenbrook	(3,431,009)	(1,480,489)	(8,875,523)	(4,009,012)
<i>Add the impact of:</i>				
Interest expense	513,138	2,046	1,316,795	79,900
Depreciation	1,008,002	14,350	2,751,998	35,724
<i>Less the impact of:</i>				
Interest income	(116,035)	(38,529)	(140,144)	(47,930)
EBITDA	(2,025,904)	(1,502,622)	(4,946,874)	(3,941,318)
<i>Add the impact of:</i>				
Share-based compensation	117,112	64,668	573,426	249,239
TMS Center development costs	496,509	91,311	1,176,180	397,821
<i>Add transaction costs:</i>				
Capital market advisory services	-	5,145	-	390,095
Initial public offering related professional and legal fees	-	462,230	-	530,252
Acquisition related legal and professional fees	378,407	-	378,407	-
<i>Add other non-recurring expenses:</i>				
IT implementation costs	-	13,750	-	52,012
Public company transition costs	-	25,144	-	129,528
Legal fees related to TMS Center growth	-	-	-	65,489
Adjusted EBITDA	(1,033,876)	(840,374)	(2,818,861)	(2,126,882)

Note:

- (1) The Company adopted IFRS 16 effective as at January 1, 2019 using the modified retrospective approach. As a result of this approach the prior year figures were not adjusted. See “Changes in Significant Accounting Policies (a) Adoption of IFRS 16, Leases” and “Pre-IFRS 16 Reconciliation” for further details

PRE-IFRS 16 RECONCILIATION

The table below illustrates our Pre-IFRS 16 Reconciliation for the periods presented:

(US\$)	<u>Q3 2019</u> <u>(unaudited)</u>	<u>Q3 2018</u> <u>(unaudited)</u>	<u>YTD 2019</u> <u>(unaudited)</u>	<u>YTD 2018</u> <u>(unaudited)</u>
Regional Operating Income	770,813	476,556	2,399,979	1,393,450
<i>Impact of pre-IFRS 16 adjustments:</i>				
Rental and device expense	(1,241,719)	-	(3,495,749)	-
IFRS 16 depreciation	946,723	-	2,587,843	-
Pre IFRS 16 Regional Operating Income	475,817	476,556	1,492,073	1,393,450
EBITDA	(2,025,904)	(1,502,622)	(4,946,874)	(3,941,318)
<i>Impact of pre-IFRS 16 adjustments:</i>				
Rental and device expense	(1,276,374)	-	(3,599,713)	-
Pre IFRS 16 EBITDA	(3,302,278)	(1,502,622)	(8,546,587)	(3,941,318)

Adjusted EBITDA	(1,033,876)	(840,374)	(2,818,861)	(2,126,882)
<i>Impact of pre-IFRS 16 adjustments:</i>				
Rental and device expense	(1,276,374)	-	(3,599,713)	-
Pre IFRS 16 Adjusted EBITDA	(2,310,250)	(840,374)	(6,418,574)	(2,126,882)

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company's primary uses of capital are to finance operations, finance new TMS Center development costs, increase non-cash working capital and fund investments in its centralized business infrastructure. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to provide services to its customers and provide 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 considering its anticipated cash flows from regional operations, its holdings of cash and its ability to draw funds from shareholder commitments or new financings, the Company believes that it has sufficient capital to meet its future operating expenses, capital expenditures and future debt service requirements for the next 24 months. However, our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by the velocity of our regional development strategy and general economic, financial and other factors, including factors beyond our control. See "Cautionary Note Regarding Forward-Looking Information", "Risks and Uncertainties" and "Factors Affecting our Performance" in this MD&A.

Cash Flows

The following table presents our cash flows for each of the periods presented:

(US\$)	<u>YTD 2019</u>	<u>YTD 2018</u>
Net cash generated from (used in) operating activities	(7,209,942)	(5,086,692)
Net cash generated from (used in) financing activities	16,940,016	15,745,917
Net cash generated from (used in) investing activities	<u>(7,542,540)</u>	<u>(80,635)</u>
Increase (decrease) in cash and cash equivalents	2,187,534	10,578,590

Analysis of Cash Flows for YTD 2019

For YTD 2019, cash flows used in operating activities totaled \$7.2 million, as compared to \$5.1 million in YTD 2018. The increase in cash flows used in operations is primarily attributable to expansion activity and the growth of our business as outlined in "Regional Operating Income (Loss) and Direct Center and Regional Costs", "Corporate Employee Compensation", "Other Corporate, General and Administrative Expenses" and "Adjusted EBITDA and Non-Recurring Expenses" in this MD&A.

Cash Flows used in/from Financing Activities

For YTD 2019, cash flows generated from financing activities amounted to \$16.9 million as compared to cash flows generated of \$15.7 million in YTD 2018. This change is largely driven by the public offering of 4,025,000 common shares of the Company and concurrent private placement of 5,384,000 common shares of the Company completed in Q2 2019, which yielded greater proceeds than the special warrant offerings completed in connection with the Company's initial public offering in Q3 2018.

Cash Flows used in/from Investing Activities

For YTD 2019, cash flows used in investing activities totaled \$7.5 million as compared to \$0.1 million in YTD 2018, which primarily relates to the costs incurred as part of the Achieve TMS Acquisition in addition to an increase in the number of TMS Devices purchased by the Company upon completion of their respective lease terms as compared to the prior period.

INDEBTEDNESS

During Fiscal 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 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 device loans bear an average interest rate of 10% with average monthly blended interest and capital payments of \$1,575 and mature during the years ended December 31, 2019 to December 31, 2023. There are no significant financial covenants associated with these loans. The loans related to one of the banking institutions were repaid during YTD 2019.

During YTD 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 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 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. There are no significant financial covenants associated with these loans.

See “Related Party Transactions” for a description for our additional indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet financing transactions. Please refer to “Changes in Significant Accounting Policies” and “Pre-IFRS 16 Reconciliation” for the accounting implications resulting from the adoption of IFRS 16.

SHARE INFORMATION

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of September 30, 2019, there were 58,418,443 Common Shares and nil preferred shares issued and outstanding. In addition, there were 2,988,168 stock options and 1,068,186 broker warrants, each representing a right to acquire one Common Share, issued and outstanding. As of the date of this MD&A, assuming exercise and exchange of all outstanding options and broker warrants, there are 62,474,797 equity securities of the Company issued and outstanding on a fully-diluted basis.

RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The Company transacts with key individuals from management who have authority and responsibility to plan, direct, and control the activities of the Company. Key management personnel are defined as the executive officers of the Company, including the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Medical Officer and the Chief Marketing Officer.

Transactions with significant shareholder – Greybrook Health

As at September 30, 2019, \$0.2 million was included in accounts payable and accrued liabilities related to payables for management services and other overhead costs rendered by Greybrook Health Inc. (“**Greybrook Health**”) to the Company in the ordinary course of business under the MSA (as defined below) (December 31, 2018: \$0.1 million).

On January 1, 2015, we entered into a management and consulting services agreement (the “**MSA**”) with our significant shareholder, Greybrook Health, pursuant to which Greybrook Health provides us and our subsidiaries with certain incidental services, including financial advisory services, business development advisory services and business and operating consulting services (collectively, the “**Services**”). More specifically, these Services include: (i) the provision of office space for our head office in Toronto, Ontario, and (ii) compensation for our chief financial officer, chief operating officer and twelve other employees consisting of our general counsel, ten full-time employees and one part-time employee that, together, provide customary finance and accounting services to the Company and one part-time employee that provides customary IT infrastructure services to the Company. All of the Services provided by Greybrook Health are provided on a cost basis whereby the Company reimburses Greybrook Health for costs incurred in connection with the provision of such Services. There is no mark-up charged by Greybrook Health for the provision of the Services. The MSA will expire on January 1, 2020 or earlier if either party provides the other with at least 30 days’ notice of termination.

Subsequent to Q3 2019, compensation for all employees noted above, except for the chief operating officer and the part time employee that provides customary IT infrastructure services to the Company, is no longer being provided by Greybrook Health and is being paid directly by the Company.

Loan from significant shareholder – Greybrook Health

Greybrook Health extends loans to the Company, from time to time, in order to fund ongoing expansion activities and operating losses. These shareholder loans are unsecured and carry interest at a rate of 10% per annum, compounded on a monthly basis and are repayable on demand. The loans were repaid in full during Q2 2018. As at September 30, 2019, the balance of the loan was nil.

RISKS AND UNCERTAINTIES

We are exposed to a variety of financial risks in the normal course of our business, including interest rate, credit, and liquidity risk. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Risk management is carried out under practices approved by our board of directors (the “**Board**”). This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. Our Board provides guidance for overall risk management, covering many areas of risk including interest rate risk, credit risk, and liquidity risk.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. As of September 30, 2019, we only have fixed interest rate debt. The impact of future interest rate expense resulting from future changes in interest rates will depend largely on the gross amount of our borrowings at such time.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company’s financial instruments that are exposed to

concentrations of credit risk are primarily cash and accounts receivable. The Company limits its exposure to credit risk with respect to cash by dealing with large creditworthy financial institutions. The Company's accounts receivable consist primarily of receivables from large creditworthy medical insurance companies and government backed health plans. Collectability of the receivables is reviewed regularly and an allowance is established as necessary.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account our revenues, income and working capital needs. Our shareholder loans are also used to maintain liquidity.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management, including the CEO and the CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

There has been no change in the Company's disclosure controls and procedures that occurred during the three and nine months ended September 30, 2019 that has materially affected, or is reasonable likely to materially affect, the Company's disclosure controls and procedures.

Internal Controls over Financial Reporting

Management is also responsible, and has used the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission for establishing and maintaining adequate internal controls over financial reporting (“**ICFR**”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

There has been no change in the Company's ICFR that occurred during the three and nine months ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There has been no change to the Company's critical accounting estimates and judgements since the fiscal year December 31, 2018 except as noted below relating to the adoption of IFRS 16, the implementation of a defined contribution post-employment benefit plan and business combinations:

(a) Leases:

On January 1, 2019, the Company adopted IFRS 16.

At inception of a contract, the Company assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether (i) the contract involves the use of an identified asset, (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the identified assets throughout the period of use, and (iii) the Company has the right to direct the use of the identified asset.

The right of use asset is 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 and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. If the Company expects to obtain ownership of the leased asset at the end of the lease, the Company will depreciate the asset over the underlying asset's estimated useful life.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Variable lease payments that are not included in the measurement of the lease liability are recognized as an operating expense in the consolidated statements of net loss and comprehensive loss.

The Company has elected not to recognize right of use assets and lease liabilities in respect of short-term leases that have a lease term of less than 12 months and leases in respect of low-value assets. The Company recognizes the lease payments associated with these leases as an operating expense in the consolidated statements of net loss and comprehensive loss on a straight-line basis over the lease term.

The Company makes estimates when considering the length of the lease term including considering facts and circumstances that can create an economic incentive to exercise an extension option. The Company makes certain qualitative and quantitative assumptions when deriving the value of the economic incentive. Periodically, the Company will reassess whether it is reasonably certain to exercise extension options and will account for any changes at the date of reassessment.

The Company makes judgements in determining whether a contract contains an identified asset and in determining whether or not the Company has the right to control the use of the underlying asset.

The Company also makes judgements in determining the incremental borrowing rate used to measure its lease liability in respect of each lease contract. As there are currently no market participants of a similar size and scale as the Company, the incremental borrowing rate is reflective of the interest rate applied historically on loans advanced.

(b) Defined contribution pension plan:

A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution pension plans are expensed in the consolidated statements of net loss and comprehensive loss in the periods during which services are rendered by employees.

(c) Business combinations:

The Company accounts for business combinations using the acquisition accounting method. The total purchase price is allocated to the assets acquired and liabilities assumed based on fair values as at the date of acquisition. Goodwill as at the date of acquisition is measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquired company over the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Any non-controlling interest in the acquisition company are measured at the non-controlling interests' proportionate share of the identifiable assets and liabilities of the acquired business.

Best estimates and assumptions are used in the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date. These estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. On conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statement of net income (loss) and comprehensive income (loss) in the period in which the adjustments were determined.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration is recognized as part of the statement of net income (loss) and comprehensive income (loss) in the period in which the adjustments were determined.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of IFRS 16, Leases:

IFRS 16 has replaced IAS 17, Leases (“IAS 17”). IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right of use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard was effective for the Company as of January 1, 2019.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognized in net assets at January, 1 2019. The prior year figures were not adjusted.

Prior to adopting IFRS 16, the operating lease commitments as at December 31, 2018 were \$14,604,498. The difference between the total of the minimum lease payments set out in Note 9 of the 2018 audited consolidated financial statements and the total lease liabilities recognized on transition was a result of the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at December 31, 2018, partially offset by the effect of discounting on the minimum lease payments.

When applying IFRS 16 to leases previously classified as operating leases, practical expedients were available to the Company. The Company applied a single discount rate to a portfolio of leases with similar characteristics and used hindsight in determining the lease term where the contract contains purchase or extension options.

The Company does not have any contracts for which they are the lessor.

Adjusted opening balance as at December 31, 2018 using the modified retrospective approach:

	December 31, 2018 (Pre-IFRS 16)	IFRS 16 Adjustments	January 1, 2019 (Post-IFRS 16)
Assets			
Cash	\$ 9,381,600	\$ –	\$ 9,381,600
Accounts receivable	7,131,661	–	7,131,661
Prepaid expenses and other	1,637,736	(507,257)	1,130,479
Property, plant and equipment	911,466	–	911,466
Right of use assets	–	14,477,970	14,477,970
Restated balance, December 31, 2018	\$19,062,463	\$ 13,970,713	\$ 33,033,176
Equity and Liabilities			
Accounts payable and accrued liabilities	\$ 4,059,398	\$ (301,509)	\$ 3,757,889
Lease liability loans payable	–	14,272,222	14,272,222
Loans payable	281,130	–	281,130
Non-controlling interest loans	81,170	–	81,170
Common shares	26,882,622	–	26,882,622
Contributed Surplus	1,745,079	–	1,745,079
Retained earnings	(14,531,401)	–	(14,531,401)
Non-controlling interest	544,465	–	544,465
Balance, December 31, 2019	\$ 19,062,463	\$ 13,970,713	\$ 33,033,176

(b) Recent accounting pronouncements not yet adopted:

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2019. There are no recent accounting pronouncements that are applicable or that are expected to have a significant impact on the Company.

RISK FACTORS

For a detailed description of risk factors associated with the Company, refer to the “Risk Factors” section of the Company’s annual information form dated March 27, 2019 for its fiscal year ended December 31, 2018, which is available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company’s annual information form, is available on SEDAR at www.sedar.com. The Company’s Common Shares are listed for trading on the Toronto Stock Exchange under the symbol “GTMS”.