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

GREENBROOK TMS INC.

Three months ended March 31, 2019 and 2018
(Unaudited)

GREENBROOK TMS INC.

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

	March 31, 2019	December 31, 2018 (note 4)
Assets		
Current assets:		
Cash	$ 5,035,183	$ 9,381,600
Accounts receivable, net	9,010,227	7,131,661
Prepaid expenses and other	1,343,975	1,637,736
	15,389,385	18,150,997
Property, plant and equipment (note 5)	1,004,603	911,466
Right of use assets (note 4)	16,798,029	–
	$ 33,192,017	$ 19,062,463
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 3,781,141	$ 4,059,398
Short-term portion of loans payable (note 7)	106,920	97,858
Current portion of lease liabilities (note 9)	4,326,204	–
Non-controlling interest loans (note 7)	65,301	81,170
	8,279,566	4,238,426
Long-term portion of loans payable (note 7(a))	205,712	183,272
Long-term portion of lease liabilities (note 9)	12,485,652	–
	20,970,930	4,421,698
Shareholders' equity (deficiency):		
Common shares (note 8)	26,882,622	26,882,622
Contributed surplus (note 12)	2,039,238	1,745,079
Deficit	(17,101,823)	(14,531,401)
	11,820,037	14,096,300
Non-controlling interest (note 18)	401,050	544,465
	12,221,087	14,640,765
Contingencies (note 11)		
Subsequent events (note 20)		
	$ 33,192,017	$ 19,062,463

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 March 31, 2019	Three months ended March 31, 2018 (note 4)
Revenue:		
Service revenue	$ 6,607,198	$ 3,901,571
Expenses:		
Direct center and patient care costs	3,456,616	2,722,740
Other regional and center support costs (note 19)	1,715,462	949,412
Depreciation	808,120	9,818
	5,980,198	3,681,970
Regional operating income (loss)	627,000	219,601
Center development costs	264,696	111,673
Corporate, general and administrative expenses (note 19)	2,332,342	1,040,909
Stock-based compensation	294,159	119,904
Interest expense	397,840	76,398
Interest income	(21,950)	–
Loss before income taxes	(2,640,087)	(1,129,283)
Income tax expense (note 13)	–	–
Loss for the period and comprehensive loss	$ (2,640,087)	$ (1,129,283)
Loss for the period attributable to:		
Non-controlling interest (note 18)	$ (69,665)	$ 26,256
Common shareholders of Greenbrook TMS	(2,570,422)	(1,155,539)
	$ (2,640,087)	$ (1,129,283)
Net loss per share (note 17):		
Basic	$ (0.05)	$ (0.03)
Diluted	(0.05)	(0.03)

See accompanying notes to condensed interim consolidated financial statements.

GREENBROOK TMS INC.

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

Three months ended March 31, 2018 (note 4)	Common Shares Number	Common Shares Amount	Contributed surplus	Deficit	Non-controlling interest	Total equity (deficiency)
Balance, December 31, 2017	37,524,375	$ 8,208,449	$ 976,227	$ (9,443,345)	$ (399,104)	$ (657,773)
Net comprehensive loss for the period	–	–	–	(1,155,539)	26,256	(1,129,283)
Issuance of special warrants (note 8)	9,271,000	17,555,457	191,491	–	–	17,746,948
Share-based compensation (note 12)	–	–	119,904	–	–	119,904
Payments to non-controlling interest	–	–	–	–	(35,300)	(35,300)
Non-controlling interest subsidiary investment	–	–	–	–	50	50
Balance, March 31, 2018	46,795,375	$ 25,763,906	$ 1,287,622	$ (10,598,884)	$ (408,098)	$ 16,044,546

Three months ended March 31, 2019	Common Shares Number	Common Shares Amount	Contributed surplus	Deficit	Non-controlling interest	Total equity (deficiency)
Balance, December 31, 2018	47,524,375	$ 26,882,622	$ 1,745,079	$ (14,531,401)	$ 544,465	$ 14,640,765
Net comprehensive loss for the period	–	–	–	(2,570,422)	(69,665)	(2,640,087)
Share-based compensation (note 12)	–	–	294,159	–	–	294,159
Payments to non-controlling interest	–	–	–	–	(138,750)	(138,750)
Non-controlling interest subsidiary investment	–	–	–	–	65,000	65,000
Balance, March 31, 2019	47,524,375	$ 26,882,622	$ 2,039,238	$ (17,101,823)	$ 401,050	$ 12,221,087

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)

	Three months ended March 31, 2019	Three months ended March 31, 2018 (note 4)
Cash provided by (used in)		
Operating activities:		
Loss for the period	$ (2,640,087)	$ (1,129,283)
Adjusted for:		
Depreciation	808,120	9,818
Interest expense	397,840	76,398
Interest income	(21,950)	–
Share-based compensation	294,159	119,904
Change in non-cash operating working capital:		
Accounts receivable	(1,878,566)	(539,098)
Prepaid expenses and other	(148,496)	(475,440)
Accounts payable and accrued liabilities	23,252	63,480
	(3,165,728)	(1,874,221)
Financing activities:		
Net proceeds on issuance of common shares (note 8)	–	17,746,948
Net shareholder loans advanced (repaid) (note 7)	–	814,940
Bank loans advanced	84,096	–
Bank loans repaid	(52,594)	(5,866)
Lease liabilities repaid	(919,152)	–
Net non-controlling interest loans repaid	(15,869)	(9,101)
Distribution to non-controlling interest	(138,750)	(35,300)
	(1,042,269)	18,511,621
Investing activities:		
Property, plant and equipment	(138,420)	(21,200)
Increase (decrease) in cash	(4,346,417)	16,616,200
Cash, beginning of period	9,381,600	1,532,580
Cash, end of period	$ 5,035,183	$ 18,148,780

See accompanying notes to condensed interim consolidated financial statements.

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.

Greenbrook TMS Inc. 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 Greenbrook TMS Inc. on a one-for-one basis. As a result of this exchange, the shareholders of TMS US became the shareholders of Greenbrook TMS Inc. in the same proportions as their previous shareholdings in TMS US and TMS US became a wholly-owned subsidiary of Greenbrook TMS Inc., 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 NeuroHealth Centers Inc. or its operating subsidiaries.

Financial information presented within the condensed interim consolidated financial statements reflects the consolidated financial condition, performance and cash flows of the operating business of which TMS US was the holding company up to March 29, 2018 and of which Greenbrook TMS Inc. was the holding company for the remaining period.

2. Basis of preparation:

These condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting. The disclosures contained in these condensed interim consolidated financial statements do not include all of the requirements of International Financing Reporting Standards ("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, 2018 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The 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.

2. Basis of preparation (continued):

These condensed interim consolidated financial statements were approved by the Board of Directors (the "Board") of the Company and authorized for issue by the Board on May 9, 2019.

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, 2018 consolidated financial statements, except as described below relating to the adoption of IFRS 16, Leases ("IFRS 16") and the implementation of a defined contribution post-employment benefit plan.

(a) Leases:

On January 1, 2019, the Company adopted IFRS 16 (see note 4(a)).

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 asset 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

3. Significant accounting policies (continued):

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.

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 the 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 plan:

A defined contribution 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.

4. Recent accounting pronouncements:

(a) Adoption of IFRS 16:

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.

(Expressed in U.S. dollars, unless otherwise stated)

4. Recent accounting pronouncements (continued):

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, 2018	$ 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, 2018. There are no recent accounting pronouncements that are applicable or that are expected to have a significant impact on the Company.

(Expressed in U.S. dollars, unless otherwise stated)

5. Property, plant and equipment:

	Furniture and equipment	Leasehold improvements	TMS devices	Total
Cost				
Balance, December 31, 2018	$ 203,318	$ 3,704	$1,000,426	$1,207,448
Additions	9,798	–	128,622	138,420
Asset disposal	–	–	–	–
Balance, March 31, 2019	$ 213,116	$ 3,704	$1,129,048	$1,345,868
Accumulated depreciation				
Balance, December 31, 2018	$ 54,685	$ 604	$ 240,693	$ 295,982
Depreciation	6,157	3,100	36,026	45,283
Asset disposal	–	–	–	–
Balance, March 31, 2019	$ 60,842	$ 3,704	$ 276,719	$ 341,265
Net book value				
Balance, December 31, 2018	$ 148,633	$ 3,100	$ 759,733	$ 911,466
Balance, March 31, 2019	152,274	–	852,329	1,004,603

6. Accounts payable and accrued liabilities:

The accounts payable and accrued liabilities are as follows:

	March 31, 2019	December 31, 2018
Accounts payable	$ 2,506,962	$ 1,865,296
Accrued liabilities	1,274,179	2,194,102
Total	$ 3,781,141	$ 4,059,398

7. Loans payable:

(a) Bank loans:

	March 31, 2019	December 31, 2018
Bank loans	$ 312,632	$ 281,130
Short-term portion of loans payable	106,920	97,858
Long-term portion of loans payable	$ 205,712	$ 183,272

(Expressed in U.S. dollars, unless otherwise stated)

7. Loans payable (continued):

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 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 the three months ended March 31, 2019.

During the three months ended March 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 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.

(b) Non-controlling interest loans:

	March 31, 2019	December 31 2018
Non-controlling interest loans	$ 65,301	$ 81,170

The non-controlling interest holder partners, 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.

(Expressed in U.S. dollars, unless otherwise stated)

8. Common shares and special warrants:

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, 2018 and March 31, 2019, there were nil preferred shares issued and outstanding.

	Number	Total amount
December 31, 2018	47,524,375	$ 26,882,622
Common shares issuance	–	–
March 31, 2019	47,524,375	$ 26,882,622

9. Leases:

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 is 10%.

	March 31, 2019
Lease liabilities, beginning of year	$ 14,272,222
Additions	$ 3,062,150
Interest on lease liabilities	$ 396,636
Payments of lease liabilities	$ (919,152)
Lease liabilities, end of period	$ 16,811,856

10. Pensions:

The Company has a defined contribution plan for its employees whereby the Company matches contributions to a maximum of 3.5% of salaries. During the three months ended March 31, 2019, contributions recorded as expenses within direct center and patient care costs, other regional and center support costs and corporate general and administrative expenses amounted to $47,860 (March 31, 2018 – nil).

11. 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.

12. Contributed surplus:

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

(a) Share-based compensation – 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.

The fair value of the grant of the options is recognized in the consolidated statements of net loss and comprehensive loss as an expense. 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 has ranged from immediate vesting to over three years. The vesting period is determined at the discretion of the Board. The maximum number of common shares reserved for issuance, in the aggregate, under the Company's option plan (and under any other share compensation arrangements of the Company) is 10% of the aggregate number of common shares which are outstanding from time to time. As at March 31, 2019, this represented 4,752,438 common shares.

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

(Expressed in U.S. dollars, unless otherwise stated)

12. Contributed surplus (continued):

	March 31, 2019		December 31, 2018	
	Number of stock options	Weighted and actual average exercise price	Number of stock options	Weighted and actual average exercise price
Outstanding, beginning of year	2,670,000	$ 1.17	2,219,500	$ 1.00
Granted	165,000	2.45	450,500	1.97
Cancelled	(3,500)	–	–	–
Outstanding, end of period	2,831,500	1.25	2,670,000	1.17

The weighted average contractual life of the outstanding options as at March 31, 2019 was 7.7 years (December 31, 2018 – 7.5 years).

The total number of stock options exercisable as at March 31, 2019 was 2,112,333 (December 31, 2018 – 1,382,667).

During the quarter ended March 31, 2019, the Company recorded a total share-based options compensation expense of $294,159 (March 31, 2018 - $119,904).

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%.

The fair value of the stock options granted on March 31, 2018 was estimated to be $0.95 per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 52.47% 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 2.09%.

As at March 31, 2019, the total compensation cost not yet recognized related to options granted is approximately $444,671 (March 31, 2018 - $289,527) and will be recognized over the remaining average vesting period of 0.8 years (December 31, 2018 – 0.8 years).

(b) Broker warrants:

There were no broker warrants granted during the quarter ended March 31, 2019 (March 31, 2018 – 313,920).

(Expressed in U.S. dollars, unless otherwise stated)

12. Contributed surplus (continued):

	March 31, 2019		December 31, 2018	
	Number of broker warrants	Weighted and actual average exercise price	Number of broker warrants	Weighted and actual average exercise price
Outstanding, beginning of year	503,646	$ 2.00	–	$ –
Granted	–	–	503,646	2.00
Outstanding, end of period	503,646	2.00	503,646	2.00

The weighted average contractual life of the outstanding broker warrants as at March 31, 2019 was 1.0 year (December 31, 2018 – 1.2 years).

The total number of broker warrants exercisable as at March 31, 2019 was 503,646 (December 31, 2018 – 503,646).

13. Income taxes:

During the three months ended March 31, 2019, there were no significant changes to the Company's tax position.

14. 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 non-current portion of loans payable and finance lease obligations 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.

(Expressed in U.S. dollars, unless otherwise stated)

14. Risk management arising from financial instruments (continued):

Financial instruments are classified into one of the following categories: financial assets or financial liabilities.

The following table summarizes information regarding the carrying value of the Company's financial instruments:

	March 31, 2019	December 31, 2018
Cash	$ 5,035,183	$ 9,381,600
Accounts receivable	9,010,227	7,131,661
Items classified as financial assets	$ 14,045,410	$ 16,513,261
Accounts payable and accrued liabilities	$ 3,781,141	$ 4,059,398
Short-term portion of loans payable	106,920	97,858
Non-controlling interest loans	65,301	81,170
Long-term portion of loans payable	205,712	183,272
Current portion of lease liabilities	4,326,204	–
Long-term portion of lease liabilities	12,485,652	–
Items classified as financial liabilities	$ 20,970,930	$ 4,421,698

(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 receivables are always measured at an amount equal to the expected credit losses for the subsequent 12-month period.

14. Risk management arising from financial instruments (continued):

(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.

(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 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.

15. 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 (deficiency), 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 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

(Expressed in U.S. dollars, unless otherwise stated)

15. Capital management (continued):

holdings of cash, the Company validates that it has the sufficient capital or the ability to draw the required funds from shareholder commitments.

16. Related party transactions:

(a) Transactions with controlling shareholder - Greybrook Health Inc.:

As at March 31, 2019, $80,927 is included in accounts payable and accrued liabilities related to payables for management services rendered and other overhead costs incurred by Greybrook Health Inc. in the ordinary course of business (December 31, 2018 - $96,144).

(b) Loan from controlling shareholder - Greybrook Health Inc.:

The controlling shareholder Greybrook Health Inc. extended loans to the Company from time to time in order to fund ongoing expansion activities and operating losses.

17. Basic and diluted loss per share:

	Three months ended March 31, 2019	March 31, 2018
Net loss attributable to the shareholders of: Greenbrook TMS	$ (2,570,422)	$ (1,155,539)
Weighted average common shares outstanding: Basic and diluted	47,524,375	37,524,375
Loss per share: Basic and diluted	$ (0.05)	$ (0.03)

For the three months ended March 31, 2019, the effect of 2,831,500 (March 31, 2018 – 2,300,000) options have been excluded from the diluted calculation because this effect would be anti-dilutive.

(Expressed in U.S. dollars, unless otherwise stated)

18. 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 and thus 100% of the financial results of these subsidiaries are included in the Company's consolidated financial results. The Company has control over these entities as the Company has power over all significant decisions made by these entities.

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 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%

(Expressed in U.S. dollars, unless otherwise stated)

18. Non-controlling interest (continued):

On May 5, 2018, the Company acquired a non-controlling ownership interest in TMS NeuroHealth Centers Kensington, LLC for $130,013. As a result, subsequent to this date, TMS NeuroHealth Centers Kensington, LLC is a wholly-owned subsidiary of the Company.

The following table summarizes the aggregate financial information for the above-noted entities, as at March 31, 2019 and December 31, 2018.

	March 31, 2019	December 31, 2018
Cash	$ 1,508,084	$ 1,367,644
Accounts receivable	6,009,961	5,281,387
Prepaid expenses and other	838,649	773,987
Property, plant and equipment	815,041	775,857
Right of use assets	9,531,402	–
Account payable and accrued liabilities	849,490	1,035,544
Loans payable	6,847,121	5,304,284
Lease liabilities loans	9,497,842	–
Deficit attributable to the shareholders of Greenbrook TMS	1,107,633	1,314,582
Deficit attributable to non-controlling interest	177,989	247,654
Distributions paid to non-controlling interest	(442,730)	(303,980)
Subsidiary Investment by non-controlling interest	65,000	600,100
Historical subsidiary Investment by non-controlling interest	600,791	691

	Three months ended March 31, 2019	March 31, 2018
Revenue	$ 4,572,824	$ 2,824,305
Net income/ (loss) attributable to the shareholders of Greenbrook TMS	(358,225)	(31,340)
Net income/ (loss) attributable to non-controlling interest	(69,665)	26,256

19. Expenses by nature:

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

(Expressed in U.S. dollars, unless otherwise stated)

19. Expenses by nature (continued):

	Three months ended March 31, 2019	March 31, 2018
Salaries and bonuses	$ 1,251,421	$ 572,872
Marketing expenses	464,041	376,540
Total	$ 1,715,462	$ 949,412

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

	Three months ended March 31, 2019	March 31, 2018
Salaries and bonuses	$ 1,460,101	$ 503,150
Marketing expenses	204,346	154,011
Professional and legal fees	195,824	53,916
Travel, meals and entertainment	143,712	58,332
Computer supplies and software	110,483	175,909
Other	217,876	95,591
Total	$ 2,332,342	$ 1,040,909

20. Subsequent events:

(a) Bought deal public offering and private placement agreement:

On April 29, 2019, the Company entered into an agreement with a syndicate of underwriters under which the underwriters have agreed to buy, on a bought deal public offering basis, 3,500,000 common shares of the Company at a price of C$3.25 per common share for aggregate gross proceeds of C$11,375,000 (the "Public Offering"). The Company also granted the underwriter an over-allotment option, exercisable in whole or in part at any one time up to 30 days following closing of the Public Offering, to purchase up to an additional 525,000 common shares at C$3.25 per common share which, if exercised in full, would increase the gross proceeds of the Public Offering to C$13,081,250.

Concurrent with the Public Offering, the Company also entered into an irrevocable commitment to complete a private placement of 5,384,000 common shares of the Company for aggregate gross process of C$17,498,000 (the "Private Placement").

20. Subsequent events (continued):

The Public Offering and Private Placement are expected to close on or about May 17, 2019, subject to certain customary conditions, including approval of the Toronto Stock Exchange. Closing of the Public Offering and Private Placement are each conditional on the closing of the other.

(b) Stock option grant:

On May 8, 2018, 60,000 stock options were granted to a key employee of the Company. The stock options granted have an exercised price of C$3.43, a remaining life of 10 years from the grant date and are subject to the terms and conditions of the stock option plan of the Company.

(c) Michigan region expansion:

On May 9, 2019, the Company expanded its TMS Center network by establishing a new management region in the State of Michigan. One TMS Center located in Detroit, Michigan was opened as part of the initial development in this region.