Greenbrook TMS Inc.

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

For the fiscal years ended December 31, 2018 and 2017

March 27, 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 audited consolidated financial statements, including the related notes thereto, for the fiscal years ended December 31, 2018 and 2017.

BASIS OF PRESENTATION

Our audited 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 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 "**Fiscal 2017**", "**Fiscal 2018**" and "**Fiscal 2019**" are to the year ended (or ending) December 31, 2017, December 31, 2018 and December 31, 2019, respectively. All references in this MD&A to "**Q4 2017**", "**Q4 2018**" and "**Q1 2019**" are to the three-month periods ended (or ending) December 31, 2017, December 31, 2018 and March 31, 2019, respectively. All references in this MD&A to "**Q3 2018**" are to the three-month period ended September 30, 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 and income taxes, adjusted for share-based compensation expenses, center development costs (as outlined in the audited 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 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, 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 December 31, 2018, the Company owned and operated 57 TMS Centers in the Commonwealth of Virginia, and the States of North Carolina, Maryland, Delaware, Missouri, Ohio and Connecticut. Subsequent to December 31, 2018, our TMS Center network further expanded with 8 additional TMS Centers in the States of North Carolina, South Carolina, Ohio, Texas and Missouri. As of the date of this MD&A, the Company owns and operates 65 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 necessarily 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 future 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 behavioral 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 or contracted fees where they exist. 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, Capital Expenditure 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.

Transaction Costs

Transaction costs represent costs incurred in connection with the IPO (as defined below), including accounting, legal and professional fees.

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 outstanding from time to time. 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 as well as transaction costs pertaining to the IPO.

FACTORS AFFECTING THE COMPARABILITY OF OUR RESULTS

Regional Development Activity

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, 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 incurred certain non-recurring costs as part of our transition to a publicly traded company, consisting of professional fees and other expenses.

KEY HIGHLIGHTS AND RECENT DEVELOPMENTS

During Fiscal 2018, we sustained robust growth in both revenue and regional operating income as we continued to expand our TMS Center network. Our development strategy continued to lay the foundation for future growth and the completion of the IPO provided the requisite funding and public profile to execute this growth strategy.

During Fiscal 2018, we also recruited key personnel and made significant investments to enhance our systems infrastructure to promote efficient and scalable integration for our new centers and effective ongoing management of our entire TMS Center network.

Growth in Total Revenue

Annual consolidated revenue for Fiscal 2018 increased by 54% to $21.3 million (Fiscal 2017: $13.8 million), while increasing by 73% to $7.1 million in Q4 2018 as compared to $4.1 million in Q4 2017. This reflects an acceleration in our year-over-year growth rate through Fiscal 2018 enabled by the continued execution of our regional expansion strategy paired with strong organic growth. Significant investment in our core shared services infrastructure also started yielding results enabling us to translate expansion activities into revenue growth.

During Fiscal 2018, the Company added 22 active TMS Centers, with an additional 10 TMS Centers in development, which will provide the foundation for growth in Fiscal 2019. Consistent with Fiscal 2018, the typical seasonal factors in the first quarter of Fiscal 2019 are expected to have a negative impact on revenue growth in Q1 2019. Q4 2018 to Q1 2019 growth is therefore likely to be slightly negative, which is consistent with historical periods. However, we expect the year-over-year growth rate, currently at 73%

in Q4 2018 (see “Quarterly Financial Information” below), to be substantially sustained with an acceleration expected later in Fiscal 2019. See “Cautionary Note Regarding Forward-Looking Information”.

Growth in Regional Operating Income

Regional operating income increased by 63% to $2.8 million for the year ended December 31, 2018 (Fiscal 2017: $1.7 million). Despite 5 new regions in development, which will take time to generate positive regional operating income, established regions scaled into their regional cost infrastructure increasing the blended regional operating margin to 13.2% in Fiscal 2018 (Fiscal 2017: 12.5%). The opportunity to expand regional operating margins is also reflected in a blended regional operating margin of 20.0% in Q4 2018 (Q4 2017: 18.7%) despite the inclusion of costs associated with regions-in-development.

Investment in the Centralized Business Infrastructure

Planned recruitment of key personnel and investments in enhanced systems infrastructure across various business functions increased aggregate corporate costs (including corporate employee compensation, corporate marketing expenses and other corporate, general and administrative expenses) by 104% to $6.1 million for Fiscal 2018 (Fiscal 2017: $3.0 million).

We expect that these investments will promote efficient integration and effective management of our growing TMS Center network and that we will be able to scale our investments and leverage these fixed costs as we expand our TMS Center network.

Initial Public Offering

On October 3, 2018, the Company successfully completed its initial public offering and the listing of its Common Shares on the Toronto Stock Exchange (the “**IPO**”). Management believes that the awareness and public profile associated with the IPO has enhanced our ability to attract key talent and to develop a stronger expansion pipeline. Transaction costs were incurred in connection with the IPO (see “Analysis of Results for Fiscal 2018 and Fiscal 2017 – Adjusted EBITDA and Non-Recurring Expenses” below), which affected the loss for the period.

Continued Development of our TMS Center Network

As at December 31, 2018, our TMS Center network consisted of 47 active TMS Centers with an additional 10 TMS Centers in development. Our development efforts have been focused on both optimizing our established regional footprints with added in-region density as well as on establishing new management regions in St. Louis, Missouri, Cleveland, Ohio, Houston, Texas, Austin, Texas, and the State of Connecticut.

Subsequent to the end of Fiscal 2018, we continued to increase our TMS Center density in existing management regions with eight additional TMS Centers in North Carolina, South Carolina and Houston. As of the date of this MD&A, we own and operate 65 TMS Centers.

We anticipate using the newly established management regions as a platform to rapidly expand our TMS Center network. Our development pipeline remains very robust and management is currently evaluating options to accelerate geographical expansion.

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 have been derived from our audited consolidated financial statements and related notes.

(US$) (audited)	2018	2017	2016
Total Revenue	**21,259,015**	**13,776,929**	**6,733,182**
Direct center and patient care costs	13,348,011	8,948,442	4,930,081
Regional employee compensation	3,075,724	1,736,278	1,093,806
Regional marketing expenses	1,946,581	1,341,393	847,189
Depreciation	76,902	25,212	52,451
Total direct center and regional costs	*18,447,218*	*12,051,325*	*6,923,527*
Regional Operating Income	**2,811,797**	**1,725,604**	**(190,345)**
Center development costs	530,068	274,881	172,226
Corporate employee compensation	2,607,823	1,632,077	728,796
Corporate marketing expenses	961,094	381,683	277,226
Transaction costs	467,375	-	-
Other corporate, general and administrative expenses	2,486,834	960,263	430,559
Share-based compensation	467,627	400,390	156,191
Interest expense	81,725	250,805	168,368
Interest income	(81,462)	-	-
Loss before income taxes	**(4,709,287)**	**(2,174,495)**	**(2,123,711)**
Income tax expense	-	-	-
Loss for the year and comprehensive loss	**(4,709,287)**	**(2,174,495)**	**(2,123,711)**
Income attributable to non-controlling interest	248,756	198,650	(160,791)
Loss attributable to the common shareholders of Greenbrook	**(4,958,043)**	**(2,373,145)**	**(1,962,920)**
Loss for the year attributable to:			
Non-controlling interest	248,756	198,650	(160,791)
Common shareholders of Greenbrook	(4,958,043)	(2,373,145)	(1,962,920)
Net loss per share (basic and diluted)	**(0.12)**	**(0.06)**	**(0.06)**

Selected Financial Position Data

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

(US$) (audited)	As at December 31,	As at December 31,	As at December 31,
	2018	2017	2016
Cash	9,381,600	1,532,580	1,174,190
Current assets (excluding cash)	8,769,397	2,985,814	1,464,742
Total assets	19,062,463	4,694,664	2,719,493
Current liabilities (excluding shareholder loans)	4,238,426	2,251,095	1,258,249
Non-current liabilities	183,272	-	13,771
Shareholder loans	-	3,101,342	2,438,129
Total liabilities	4,421,698	5,352,437	3,710,149
Non-controlling interests	544,465	(399,104)	(446,394)
Shareholders' equity	14,640,765	(657,773)	(990,656)

Selected Operating Data

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

(unaudited)	As at December 31, 2018	As at December 31, 2017	As at December 31, 2016
Number of active TMS Centers[(1)]	47	25	16
Number of TMS Centers-in-development[(2)]	10	5	3
Total TMS Centers	**57**	**30**	**19**
Number of management regions	8	3	2
Number of TMS Devices installed	108	65	43
Number of regional personnel	132	80	54
Number of shared-services / corporate personnel[(3)]	17	11	6
Number of TMS providers[(4)]	46	27	20
Number of consultations performed	4,211	2,781	1,522
Number of patient starts	2,626	1,807	873
Number of TMS treatments performed	95,621	65,126	31,476
Average revenue per TMS treatment	$222	$212	$214

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 FISCAL 2018 AND FISCAL 2017

The following section provides an overview of our financial performance during Fiscal 2018 compared to Fiscal 2017.

Total Revenue

Annual consolidated revenue for Fiscal 2018 increased by 54% to $21.3 million (Fiscal 2017: $13.8 million). Strong growth was due to the continued execution of our regional expansion strategy paired with strong organic growth. Significant investment in our core shared services platform also began yielding positive results enabling us to translate expansion activities into revenue growth. During Fiscal 2018, the Company added 22 active TMS Centers, with an additional 10 TMS Centers in development.

Consistent with Fiscal 2018, the typical seasonal factors in the first quarter of Fiscal 2019 are expected to have a negative impact on growth into Q1 2019, but year-over-year growth should be sustained with acceleration expected later in Fiscal 2019 (See "Cautionary Note Regarding Forward-Looking Information"). Our ability to systematically add in-region density to strengthen our network reach and strong market growth yielded Same-Region Sales Growth of 40% for the year ended December 31, 2018.

Average revenue per treatment increased by 5% to $222 in Fiscal 2018 (Fiscal 2017: $212). 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 and expansion into higher reimbursement regions such as Texas.

Due to the increased velocity of development in the second half of Fiscal 2018 paired with further investment in our billing systems, accounts receivable increased from $5.0 million to $7.1 million in Fiscal

2018 (Fiscal 2017: $2.1 million). The temporary lock-up in accounts receivable is in line with expectations for new TMS Centers where payor contracting and systems setup takes time to revert to the normal cash conversion cycle. The Company expects this to stabilize mid-Fiscal 2019 as the cash conversion cycle of newly established management regions normalize and billing system enhancements are fully implemented.

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

Regional operating income increased by 63% to $2.8 million in Fiscal 2018 (Fiscal 2017: $1.7 million). Direct center and regional costs increased by 53% to $18.4 million in Fiscal 2018 (Fiscal 2017: $12.1 million). The increase in direct center and regional costs was primarily due to the addition of regional employee costs and regional marketing costs associated with the addition of 22 active TMS Center locations during Fiscal 2018 and as well as establishing five new regions in St. Louis, Missouri, Austin, Texas, Houston, Texas and the State of Connecticut. Despite five new regions in development, which will take time to generate positive regional operating income, established regions scaled into their regional cost infrastructure increasing the blended regional operating margin to 13.2% in Fiscal 2018 (Fiscal 2017: 12.5%).

Center Development Costs, Capital Expenditures and Working Capital Investment

Center development costs increased by 93% to $0.5 million in Fiscal 2018 (Fiscal 2017: $0.3 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) remained consistent between Fiscal 2018 and Fiscal 2017 at $0.16 million.

Corporate Employee Compensation

Corporate employee compensation incurred to manage the centralized business infrastructure of the Company increased by 60% to $2.6 million in Fiscal 2018 (Fiscal 2017: $1.6 million). The increase reflects planned recruitment of key personnel in several core shared services functions to proactively manage our rapid expansion strategy, including business development, marketing, human resources, legal and finance, as well as a full period of costs relating to key recruits in Fiscal 2017 such as the Company's Chief Medical Director, hired in the third quarter of Fiscal 2017.

Corporate Marketing Expenses

Corporate marketing expenses increased by 152% to $1.0 million in Fiscal 2018 (Fiscal 2017: $0.4 million). The increase was primarily due to experimental investments in new marketing platforms to test consumer preferences in order to optimize our marketing mix, enhanced website and organic search capabilities, enhanced brand management activities and an increased presence on social media platforms.

Other Corporate, General and Administrative Expenses

Other corporate, general and administrative expenses increased by 159% to $2.5 million in Fiscal 2018 (Fiscal 2017: $1.0 million). The increase was primarily due to one-time costs (see "Adjusted EBITDA and Non-Recurring Expenses" below) and other recurring expenses associated with developing our systems infrastructure to proactively manage our rapid expansion strategy as well as increased legal and professional fees associated with preparation for the IPO and operating as a public company. Travel costs associated with the development and expansion to new geographies also increased.

Share-Based Compensation

Share-based compensation increased by 17% to $0.47 million in Fiscal 2018 (Fiscal 2017: $0.40 million). The increase was predominantly due to stock options granted to key personnel to ensure retention and long-term alignment with goals of the Company.

Interest

The decrease in interest expense is primarily due to the repayment in full of the shareholder loans during the second quarter of 2018 (see "Indebtedness" in this MD&A) offset by interest received from excess funds received from the IPO, which were deposited into an investment account.

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 117% to $4.71 million in Fiscal 2018 (Fiscal 2017: $2.17 million). This increase is primarily a result of transaction costs of $0.47 million and non-recurring costs of $0.42 million associated with the IPO and continued investment in our centralized business infrastructure to proactively manage our rapid expansion strategy as outlined in "Corporate Employee Compensation", "Other Corporate, General and Administrative Expenses" and "Adjusted EBITDA and Non-Recurring Expenses" in this MD&A, offset by an increase in regional operating income (as outlined in "Regional Operating Income (Loss) and Direct Center and Regional Costs" above).

The loss attributable to the common shareholders of Greenbrook increased by 109% to $4.96 million in Fiscal 2018 (Fiscal 2017: $2.37 million). The increase in the loss attributable to the common shareholders of Greenbrook was predominantly due to transaction costs associated with the IPO and other non-recurring costs associated with continued investment in our centralized business infrastructure to proactively manage our rapid expansion strategy as outlined in "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 158% to $2.83 million in Fiscal 2018 (Fiscal 2017: $1.1 million). The increase in the Adjusted EBITDA loss position was primarily due to continued investment in our centralized business infrastructure to proactively manage our rapid expansion strategy as outlined in "Corporate Employee Compensation" and "Other Corporate, General and Administrative Expenses" above, offset by an increase in regional operating income (as outlined in "Regional Operating Income (Loss) and Direct Center and Regional Costs" above).

Non-recurring expenses included one-time expenses associated with implementing a new integrated accounting, billing and customer relationship management software platform in addition to professional fees incurred in connection with our public company obligations.

EBITDA and Adjusted EBITDA

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

(US$)	**Fiscal 2018**	**Fiscal 2017**
EBITDA	(4,717,954)	(2,097,128)
Adjusted EBITDA	(2,829,168)	(1,096,234)

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$)	**Fiscal 2018**	**Fiscal 2017**
Loss attributable to the common shareholders of Greenbrook	**(4,958,043)**	**(2,373,145)**
Add the impact of:		
Interest expense	81,725	250,805
Depreciation	76,902	25,212
Less the impact of:		
Interest income	(81,462)	-
EBITDA	**(4,717,954)**	**(2,097,128)**
Add the impact of:		
Share-based compensation	467,627	400,390
TMS Center development costs	530,068	274,881
Transaction costs	467,375	-
Other Non-recurring expenses	423,716	325,623
Adjusted EBITDA	**(2,829,168)**	**(1,096,234)**

QUARTERLY FINANCIAL INFORMATION

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

(US$)	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**
(unaudited)					
Revenue	7,092,455	5,338,364	4,926,625	3,901,571	4,107,251
Regional Operating Income	1,418,347	476,556	697,293	219,601	766,305
Net income (loss) attributable to shareholders of Greenbrook	(949,031)	(1,480,489)	(1,372,984)	(1,155,539)	(1,011,376)
Adjusted EBITDA	(702,286)	(840,374)	(448,762)	(837,746)	(402,775)
Net income (loss) per share – Basic	(0.02)	(0.04)	(0.04)	(0.03)	(0.03)
Net income (loss) per share – Diluted	(0.02)	(0.04)	(0.04)	(0.03)	(0.03)

Consolidated revenue increased to $7.1 in Q4 2018 representing a 33% quarter-over-quarter increase (Q3 2018: $5.3 million) and a 73% year-over-year increase (Q4 2017: $3.9 million), respectively. Strong growth was due to the continued execution of our regional expansion strategy paired with strong organic growth. Significant investment in our core shared services platform also began yielding positive results enabling us to translate expansion activities into revenue growth.

Regional operating income increased to $1.4 million in Q4 2018 representing a 198% quarter-over-quarter increase (Q3 2018: $0.48 million) and an 85% year-over-year increase (Q4 2017: $0.75 million), respectively. Despite the cost of five new regions in development, which will take time to generate positive regional operating income, established regions scaled into their regional cost infrastructure increasing the blended regional operating margin to 20.0% in Q4 2018 (Q4 2017: 18.7%, Q3 2018: 8.9%). This attests to the ability of established regions to generate significant regional operating profit margins to amortize corporate infrastructure costs.

The loss attributable to the common shareholders of Greenbrook decreased to $0.95 million in Q4 2018 representing a 36% quarter-over-quarter decrease (Q3 2018: $1.48 million) and a 6% year-over-year decrease (Q4 2017: $1.0 million), respectively. The decrease is a result of the realization of operational efficiencies as a result of the continued investment in our centralized business infrastructure to proactively manage our rapid expansion strategy as outlined in "Corporate Employee Compensation", "Other Corporate, General and Administrative Expenses" and "Adjusted EBITDA and Non-Recurring Expenses" in this MD&A in addition to a decrease in transaction costs incurred in Q4 2018 associated with the preparation of the IPO relative to previous quarters in Fiscal 2018.

The Adjusted EBITDA loss position decreased to $0.70 million in Q4 2018 representing a 16% quarter-over-quarter decrease (Q3 2018: $0.84 million) and a 74% year-over-year increase (Q4 2017: $0.40 million), respectively. This decrease compared to Q3 2018 is a result of the realization of operational efficiencies as a result of the continued investment in our centralized business infrastructure to proactively manage our rapid expansion strategy as outlined in "Corporate Employee Compensation", "Other Corporate, General and Administrative Expenses" and "Adjusted EBITDA and Non-Recurring Expenses" in this MD&A. The investment in our centralized business infrastructure has increased significantly since Q4 2017 leading to an increase in the Adjusted EBITDA loss position in Q4 2018 compared to this period.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company's primary uses of capital are to finance operations, finance new TMS Center development costs and related 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 the Company's planned expansion activities, and taking into account 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 approximately the next 18 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.

In order to fund our operations in Fiscal 2018 and to secure adequate capital to finance planned activities for Fiscal 2018 and beyond, we completed the IPO during Fiscal 2018. Our development pipeline, however, remains very robust and management is currently evaluating options to accelerate geographical expansion.

Cash Flows

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

(US$)	Fiscal 2018	Fiscal 2017
Net cash generated from (used in) operating activities	(7,399,461)	(2,059,332)
Net cash generated from (used in) financing activities	16,060,579	2,538,643
Net cash generated from (used in) investing activities	(812,098)	(120,921)
Increase (decrease) in cash and cash equivalents	7,849,020	358,390

Analysis of Cash Flows for Fiscal 2018

For Fiscal 2018, cash flows used in operating activities (which includes the full cost of developing new TMS Centers) totaled $7.4 million, as compared to $2.06 million in Fiscal 2017. The increase in cash flows used in operations is primarily attributable to business growth and expansion and the temporary lock-up in accounts receivable as outlined in "Total Revenue", "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 increase in accounts receivable is in line with expectations for new TMS Centers where payor contracting and systems setup takes time to revert to the normal cash conversion cycle.

Cash Flows used in/from Financing Activities

For Fiscal 2018, cash flows generated from financing activities amounted to $16.06 million as compared to cash flows generated of $2.54 million in Fiscal 2017. This change is largely driven by the issuance of special warrants as outlined in "Share Information" below, partially offset by the repayment in full of the shareholder loans (see "Related Party Transactions" below).

Cash Flows used in/from Investing Activities

For Fiscal 2018, cash flows used in investing activities totaled $0.8 million as compared to $0.12 million in Fiscal 2017, which predominately reflects the purchase of TMS Devices as we continue to execute our rapid expansion strategy.

INDEBTEDNESS

During the year ended December 31, 2018, the Company assumed loans from four separate financial institutions that were previously extended for the purchase of TMS Devices to non-controlling interest holder partners for a total of $0.3 million. The TMS Device loans were assumed as part of partnerships with local physicians, behavioural health groups or other strategic investors, which own minority interests in certain TMS Center subsidiaries. These TMS Device loans bear an average interest rate of 10% with average monthly blended interest and capital payments of $1,575 and mature during the years ended December 31, 2019 through December 31, 2023. There are no financial covenants associated with these loans.

See "Related Party Transactions" below for a description for our additional indebtedness.

CONTRACTUAL OBLIGATIONS

The Company has contractual obligations related to leases associated with the space required to operate TMS Centers and for its various TMS Devices. Considering management's estimate of future cash from operations, we believe the Company has adequate capital to meet its committed future obligations.

The following table summarizes the Company's significant contractual obligations and other obligations, comprised of future obligations for minimum annual payments under operating leases for TMS Center space and TMS Devices, as at December 31, 2018:

(US$)	TMS Devices	TMS Centers	Total
2019	2,003,945	2,101,189	4,105,134
2020	1,612,445	1,979,822	3,592,267
2021	1,128,817	1,839,482	2,968,299
2022	491,749	1,472,084	1,963,833
2023	-	1,111,362	1,111,362
Thereafter	-	863,603	863,603

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not engaged in any off-balance sheet financing transactions. The Company uses operating leases for certain equipment and its TMS Center space arrangements. Financial data with respect to the contractual obligations for such leases is disclosed under "Financial Condition, Liquidity and Capital Resources".

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 December 31, 2018, there were 47,524,375 Common Shares and nil preferred shares issued and outstanding. In addition, there were 2,670,000 stock options and 503,646 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 50,863,021 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 ("**CEO**"), the Chief Operating Officer ("**COO**"), the Chief Financial Officer ("**CFO**") and the Chief Medical Officer.

	Year ended December 31, 2018 (audited)	2017 (audited)
Salaries and bonuses	$ 990,720	$ 840,836
Share-based compensation	158,538	209,830
Total	**$ 1,149,258**	**$ 1,050,666**

Transactions with significant shareholder – Greybrook Health Inc.

As at December 31, 2018, $0.1 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, 2017: $0.4 million).

On January 1, 2015, we entered into a management and consulting services agreement (the "**MSA**") with our controlling shareholder at the time, 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 eleven other employees consisting of our general counsel and nine full-time employees that, together, provide customary administrative, 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.

Loan from controlling shareholder – Greybrook Health

Greybrook Health extended 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 the second quarter of 2018.

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 December 31, 2018, 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. Management, under the oversight of the CEO and CFO, has evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2018 and, based upon this evaluation, the CEO and the CFO have concluded that these disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* are effective for the purposes set out above.

Internal Controls over Financial Reporting

Management is also responsible 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.

Management, under the oversight of the CEO and CFO, has used the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess the effectiveness of the Company's ICFR. Based on this evaluation, the CEO and CFO have concluded that its ICFR, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, was effective as at December 31, 2018 based on the applicable criteria.

There has been no change in the Company's ICFR that occurred during the three months ended December 31, 2018 that has materially affected, or is reasonable likely to materially affect, the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The consolidated financial statements have been prepared in accordance with IFRS. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are more fully described in the notes to our audited consolidated financial statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

The following are the key judgments and sources of estimation uncertainty that we believe could have the most significant impact on the amounts recognized in our consolidated financial statements.

Cash

Cash includes cash on hand and cash held with financial institutions.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized over the estimated useful lives of the assets on a straight-line basis, unless stated otherwise, as follows:

Computer equipment	5 years
Furniture and equipment	5 years
Leasehold improvements	Lesser of 5 years or remaining lease term
TMS Devices	10 years

The estimated useful lives of the assets and their terminal values are assessed on an annual basis based on historical experience, industry practice and management's expectations.

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs to sell. Costs of disposal are incremental costs directly attributable to the disposal of an asset and income tax expense.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statements of net loss and comprehensive loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee consisting of the CEO, the CFO and the COO. The Company has one reportable segment, which is outpatient mental health service centers.

Revenue recognition and accounts receivable

Service revenue is recognized upon the performance of services under contracts with customers and represents the consideration the Company expects to receive. Service revenue is measured as the net patient fees received or receivable which includes contractual allowances and discounts. 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. Management considers such variables as the average of previous net patient fees received by the applicable payor, fees received by other patients for similar services, management's best estimate leveraging industry knowledge and expectations of third-party payors' fee schedules or contracted fees where they exist. Third-party payors include federal and state agencies (under the Medicare programs), managed care health plans and commercial insurance companies.

During Fiscal 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("**IFRS 15**").

A key determinant of IFRS 15 is estimating the transaction price when variable consideration may arise. IFRS 15 allows for the transaction price with variable consideration to be estimated using either the expected value method or the most-likely value method. An estimate is calculated using the expected value method when using the sum of probability-weighted amounts in a range of possible consideration amounts. Conversely, the most-likely amount method is calculated using the most likely estimate in a range of possible consideration amounts. Under IFRS 15, the Company will only recognize revenue when collection of consideration is probable.

During Fiscal 2018, the Company adopted IFRS 9, *Financial Instruments* ("**IFRS 9**").

Accounts receivable are non-interest bearing, unsecured obligations due from patients and third-party payors. The Company makes an implicit allowance for potentially uncollectible amounts to arrive at net receivables through its revenue recognition policy. In accordance with IFRS 9, the Company evaluates the credit risk on accounts receivable and measures a loss allowance at an amount equal to the expected credit losses for the subsequent 12-month period.

The methodology to arrive at net receivables is reviewed by management periodically. The balance of accounts receivable represents management's estimate of the net realizable value of receivables after discounts and contractual adjustments.

The Company performs an estimation and review process periodically to identify instances on a timely basis where such estimates need to be revised to accurately assess the amount of expected revenues.

Earnings per share

Basic earnings per Common Share ("**EPS**") is calculated by dividing the net earnings available to common shareholders by the weighted average number of Common Shares outstanding during the year. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of Common Shares outstanding for the effects of all dilutive instruments.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense (recovery) is recognized in the consolidated statements of net loss and comprehensive loss. Current income tax expense represents the amount of income taxes payable based on tax law that is enacted or substantively enacted at the reporting date and is adjusted for changes in estimates of tax expense recognized in prior years. A current tax liability or asset is recognized for income taxes payable, or paid but recoverable, in respect of all years to date.

The Company uses the deferred tax method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statements' carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of net loss and comprehensive loss in the year in which the enactment or substantive enactment occurs. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is more likely than not that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its tax liabilities for uncertain tax positions are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. The assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Financial instruments

The Company initially measures its financial assets and financial liabilities at fair value and classifies them as financial assets or liabilities at fair value through profit or loss. After initial measurement, financial assets (which include cash and accounts receivable) and liabilities (which include accounts payable and accrued liabilities, lease obligations, shareholder's loans payable and bank loans payable) are subsequently measured at amortized cost using the effective interest rate method, with any resulting premium or discount from the face value being amortized to the consolidated statements of net loss and comprehensive loss. Amortization is recorded using the effective interest rate method.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to the expected credit losses for the subsequent 12-month period. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the statements of comprehensive loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property as at the inception date or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of net loss and comprehensive loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of net loss and comprehensive loss on a straight-line basis over the lease term.

Lease inducements are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter. The term of the lease used includes certain option periods considered in the lease term and any period during which the Company has use of the asset but is not charged by the lessor.

Share capital

Common Shares are classified as shareholders' equity (deficit). Incremental transaction costs directly attributable to the issue of Common Shares and share purchase options are recognized as a deduction from shareholders' equity (deficit), net any of tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity (deficit).

Dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Board.

Share-based compensation

The Company offers a share option plan. The plan is open to employees, directors, officers and consultants of the Company and its affiliates. For employees, the value of equity settled options is measured by reference to the fair value of the equity instrument on the date which they are granted. The fair value is recognized as an expense with a corresponding increase in contributed surplus over the vesting period. The Board shall have the discretion to establish the vesting period for share options granted.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Fair value is calculated using the Black Scholes option pricing model, which requires the input of highly subjective assumptions, including the volatility of share prices, forfeiture rate and expected life and changes in subjective input assumptions that can materially affect the fair value estimate. Separate from the fair value calculation, the Company estimates the expected forfeiture rate of equity-settled share-based compensation based on historical experience and management's expectation.

Consideration received upon the exercise of stock options is credited to share capital, at which time the related contributed surplus is transferred to share capital.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to their present value where the effect is material.

Finance income and finance costs

Finance income comprises interest income on cash recognized in the consolidated statements of net loss and comprehensive loss as it accrues using the effective interest method. Finance costs comprise interest expense on borrowings that are recognized in the consolidated statements of net loss and comprehensive loss.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefit would be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1 – This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

- Level 2 – This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

- Level 3 – This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

Accrued liabilities

The measurement of accrued liabilities requires management to make estimates based only on the best information available at the reporting date. As additional information becomes available, management will assess and revise the accrued liabilities amounts and such differences could be material.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Adoption of IFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15, which has replaced the following standards: International Accounting Standard ("IAS") 11, *Construction Contracts*, IAS 18, *Revenue*, International Financial Reporting Interpretations Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standard Interpretations Committee ("SIC") 31, *Revenue-Barter Transactions Involving Advertising Services*, using the full retrospective method.

IFRS 15 has a single model of recognizing revenue from contracts with customers, except leases, financial instruments and insurance contracts. Revenue is now recognized on a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. The five-step analysis is as follows: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction prices; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

There was no material impact as a result of the adoption of IFRS 15 on the Company's audited consolidated financial statements, with the exception of updating the significant accounting policy notes to be more consistent with the terminology used in IFRS 15.

Adoption of IFRS 9, Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9, which replaced IAS 39, *Financial Instruments: Recognition and Measurement* ("**IAS 39**"), and sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications that were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. A new hedge accounting model is also introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The Company adopted this standard with an initial adoption date of January 1, 2018, using the full retrospective method. There was no material impact as a result of the adoption of IFRS 9 on the Company's audited consolidated financial statements. Accounts receivable that were previously classified as loans and receivables under IAS 39 are now classified as financial assets measured at amortized cost. There were no changes to the classification of the Company's financial liabilities, nor were there any changes to the initial measurement of the Company's financial assets or liability.

Recent accounting pronouncements not yet adopted

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following accounting pronouncement is being evaluated to determine the impact on the Company.

IFRS 16, *Leases* ("**IFRS 16**") will replace 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. Earlier application is permitted. The standard will be effective for the Company on January 1, 2019.

The Company is assessing the impact of this standard on its financial statements and expects that on adoption of the standard there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on the statements of financial position. In addition, the Company expects a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to the amortization of the right-of-use asset).

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".