

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

## **GREENBROOK TMS INC.**

Three and six months ended June 30, 2018 and 2017  
(Unaudited)

# GREENBROOK TMS INC.

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

	June 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash	\$ 14,034,678	\$ 1,532,580
Accounts receivable, net	3,303,673	2,104,746
Prepaid expenses and other	1,511,573	881,068
	<u>18,849,924</u>	<u>4,518,394</u>
Property, plant and equipment (note 5)	277,226	176,270
	<u>\$ 19,127,150</u>	<u>\$ 4,694,664</u>

## Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 2,762,185	\$ 2,196,381
Short-term portion of loans payable (note 7)	2,040	13,771
Non-controlling interest loans (note 7)	77,299	40,943
Shareholder's loan payable (note 7)	—	3,101,342
	<u>2,841,524</u>	<u>5,352,437</u>
Shareholders' equity (deficiency):		
Common shares (note 8)	8,208,448	8,208,448
Special warrants (note 8)	18,674,174	—
Contributed surplus (note 11)	1,462,024	976,228
Deficit	(12,086,762)	(9,443,345)
	<u>16,257,884</u>	<u>(258,699)</u>
Non-controlling interest (note 17)	27,742	(399,104)
	<u>16,285,626</u>	<u>(657,773)</u>
	<u>\$ 19,127,150</u>	<u>\$ 4,694,664</u>

See accompanying notes to condensed interim consolidated financial statements.

On behalf of the Board:

*"Elias Vamvakas"* Director

*"William Leonard"* Director

# GREENBROOK TMS INC.

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue:				
Service revenue	\$ 4,926,625	\$ 3,468,889	\$ 8,828,195	\$ 6,165,143
Expenses:				
Direct center and patient care costs	3,193,758	2,258,798	5,916,498	4,090,828
Other regional and center support costs	1,024,018	726,399	1,973,430	1,477,101
Depreciation	11,556	5,302	21,374	16,291
	4,229,332	2,990,499	7,911,302	5,584,220
Regional operating income	697,293	478,390	916,893	580,923
Center development costs	194,836	66,177	306,510	121,659
Corporate, general and administrative expenses (note 18)	1,777,822	473,478	2,818,729	970,712
Stock-based compensation	64,668	123,264	184,572	157,222
Interest expense	1,457	62,526	77,855	120,860
Interest income	(9,402)	—	(9,402)	—
Loss before income taxes	(1,332,088)	(247,055)	(2,461,371)	(789,530)
Income tax expense (note 12)	—	—	—	—
Loss for the period and comprehensive loss	\$ (1,332,088)	\$ (247,055)	\$ (2,461,371)	\$ (789,530)
Loss for the period attributable to:				
Non-controlling interest (note 17)	\$ 40,896	\$ 72,192	\$ 52,033	\$ 87,846
Common shareholders of Greenbrook TMS	(1,372,984)	(319,247)	(2,513,404)	(877,376)
	\$ (1,332,088)	\$ (247,055)	\$ (2,461,371)	\$ (789,530)
Net loss per share (note 16):				
Basic	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.02)
Diluted	(0.04)	(0.01)	(0.07)	(0.02)

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)

Six months ended June 30, 2017	Common shares		Contributed surplus	Deficit	Non-controlling interest (note 18)	Total equity (deficiency)
	Number	Amount				
Balance, December 31, 2016	35,204,500	\$ 5,950,100	\$ 575,838	\$ (7,070,199)	\$ (446,394)	\$ (990,655)
Net comprehensive loss for the period	—	—	—	(877,376)	87,846	(789,530)
Issuance of capital stock (note 8)	2,319,875	849,887	—	—	—	849,887
Stock-based compensation (note 11)	—	—	157,222	—	—	157,222
Payments to non-controlling interest	—	—	—	—	(42,200)	(42,200)
Non-controlling interest subsidiary investment	—	—	—	—	80	80
<b>Balance, June 30, 2017</b>	<b>37,524,375</b>	<b>\$ 6,799,987</b>	<b>\$ 733,060</b>	<b>\$ (7,947,575)</b>	<b>\$ (400,668)</b>	<b>\$ (815,196)</b>

Six months ended June 30, 2018	Common shares		Special warrants		Contributed surplus	Deficit	Non-controlling interest	Total equity (deficiency)
	Number	Amount	Number	Amount				
Balance, December 31, 2017	37,524,375	\$ 8,208,448	—	\$ —	\$ 976,228	\$ (9,443,345)	\$ (399,104)	\$ (657,773)
Net comprehensive loss for the period	—	—	—	—	—	(2,513,404)	52,033	(2,461,371)
Issuance of special warrants (note 8)	—	—	10,000,000	18,674,174	215,724	—	—	18,889,898
Stock-based compensation (note 11)	—	—	—	—	270,072	—	—	270,072
Payments to non-controlling interest	—	—	—	—	—	—	(35,300)	(35,300)
Non-controlling interest subsidiary investment	—	—	—	—	—	—	280,100	280,100
Acquisition of subsidiary non-controlling interest (note 17)	—	—	—	—	—	(130,013)	130,013	—
<b>Balance, June 30, 2018</b>	<b>37,524,375</b>	<b>\$ 8,208,448</b>	<b>10,000,000</b>	<b>\$ 18,674,174</b>	<b>\$ 1,462,024</b>	<b>\$ (12,086,762)</b>	<b>\$ 27,742</b>	<b>\$ 16,285,626</b>

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

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

	Six months ended	
	June 30, 2018	June 30, 2017
Cash provided by (used in)		
Operating activities:		
Loss for the period	\$ (2,461,371)	\$ (789,530)
Adjusted for:		
Depreciation	21,374	16,291
Interest expense	77,855	120,860
Interest income	(9,402)	–
Stock-based compensation	184,572	157,222
Non-cash transaction costs	85,500	–
Change in non-cash operating working capital:		
Accounts receivable	(1,198,927)	(837,295)
Prepaid expenses and other	(430,405)	(334,184)
Accounts payable and accrued liabilities	565,804	480,348
	<u>(3,165,000)</u>	<u>(1,186,288)</u>
Financing activities:		
Net proceeds on issuance of common shares (note 8)	–	849,887
Net proceeds on issuance of special warrants	18,889,898	–
Net shareholder loans advanced (repaid) (note 7)	(3,169,795)	1,863,964
Bank loans repaid	(11,731)	(35,277)
Net non-controlling interest loans advanced	36,356	50,066
Distribution to non-controlling interest	(35,300)	(42,200)
	<u>15,709,428</u>	<u>2,686,440</u>
Investing activities:		
Property, plant and equipment	(42,330)	(69,009)
Increase (decrease) in cash	12,502,098	1,431,143
Cash, beginning of period	1,532,580	1,174,190
Cash, end of period	<u>\$ 14,034,678</u>	<u>\$ 2,605,333</u>

See accompanying notes to condensed interim consolidated financial statements.

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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## 1. Reporting entity:

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

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. On March 29, 2018, each shareholder of TMS NeuroHealth Centers Inc. exchanged its shares of common stock of TMS NeuroHealth Centers Inc. for common shares of Greenbrook TMS Inc. on a one-for-one basis. As a result of this exchange, the shareholders of TMS NeuroHealth Centers Inc. became the shareholders of Greenbrook TMS Inc. in the same proportions as their previous shareholdings in TMS NeuroHealth Centers Inc. and TMS NeuroHealth Centers Inc. 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 NeuroHealth Centers Inc. 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 and six months ended June 30, 2018 and 2017 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, 2017 which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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## 2. Basis of preparation (continued):

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.

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 September 26, 2018.

## 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, 2017 consolidated financial statements, except as described below relating to the adoption of IFRS 15, Revenue from Contracts with Customers ("IFRS 15") and IFRS 9, Financial Instruments ("IFRS 9") as at January 1, 2018.

### ***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 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

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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### 3. Significant accounting policies (continued):

liabilities, nor were there any changes to the initial measurement of the Company's financial assets or liability. The adoption of IFRS 9 did not have any material impact on the condensed interim consolidated financial statements.

#### *IFRS 15 Revenue from Contracts with Customers*

Effective January 1, 2018, the Company adopted IFRS 15, which has replaced the following standards: IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and 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 (v) recognise 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 condensed interim consolidated financial statements, with exception of updating the significant accounting policy notes to be more in line with the terminology used in IFRS 15.

The Company's accounting policies under IFRS 15 is as follows:

#### (a) Revenue recognition and accounts receivable:

Service fee revenue is recognised upon the performance of services under contracts with customers and represents the consideration the Company expects to receive. Service fee revenue is measured at 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 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 and management's best estimate leveraging industry knowledge and expectations of third-party payors' fee schedules. Third-party payors include federal and state agencies (under the Medicare programs), managed care health plans and commercial insurance companies.



# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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### 3. Significant accounting policies (continued):

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 subsequently re-evaluates the collectability of these amounts by assessing the creditworthiness of these parties.

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.

#### (b) Significant judgments and estimates:

A significant amount of estimation is applied in estimating the transaction price. The Company considers items that include but are not limited to the following: assessment of contractual terms for the patients under healthcare plans with which the Company has formal agreements, review of non-contracted health plan coverage terms if known, estimated secondary collections, historical collection experience, historical trends of refunds and payor payment adjustments and inefficiencies in the Company's billing and collection processes that can result in denied claims for payments. 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.

### 4. Recent accounting pronouncements:

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2017. 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.

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 4. Recent accounting pronouncements (continued):

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).

## 5. Property, plant and equipment:

	Computer equipment	Furniture and equipment	Leasehold improvements	TMS devices	Total
<b>Cost</b>					
Balance, December 31, 2017	\$ 11,491	\$ 48,952	\$ 53,139	\$ 345,794	\$ 459,376
Additions	–	80,000	–	42,330	122,330
Asset retirement	(11,491)	–	(52,535)	–	(64,026)
Balance, June 30, 2018	\$ –	\$ 128,952	\$ 604	\$ 388,124	\$ 517,680
<b>Accumulated depreciation</b>					
Balance, December 31, 2017	\$ 11,491	\$ 38,832	\$ 52,535	\$ 180,248	\$ 283,106
Depreciation	–	4,051	604	16,719	21,374
Asset retirement	(11,491)	–	(52,535)	–	(64,026)
Balance, June 30, 2018	\$ –	\$ 42,883	\$ 604	\$ 196,967	\$ 240,454
<b>Net book value</b>					
Balance, December 31, 2017	\$ –	\$ 10,120	\$ 604	\$ 165,546	\$ 176,270
Balance, June 30, 2018	–	86,069	–	191,157	277,226

## 6. Accounts payable and accrued liabilities:

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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The accounts payable and accrued liabilities are as follows:

	June 30, 2018	December 31, 2017
Accounts payable	\$ 1,728,213	\$ 1,057,831
Accrued other expenses	1,033,972	1,138,550
Total	\$ 2,762,185	\$ 2,196,381

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 7. Loans payable:

### (a) Bank loans:

	June 30, 2018	December 31, 2017
Bank loans	\$ 2,040	\$ 13,771
Short-term portion of loans payable	2,040	13,771
Long-term portion of loans payable	\$ —	\$ —

During the year ended December 31, 2014, a banking institution extended a loan for the purchase of TMS devices. This loan will mature within the year ended December 31, 2018 and bears interest at 11% with monthly blended interest and capital payments of \$1,955.

### (b) Shareholder loan - Greybrook Health Inc.:

	June 30, 2018	December 31, 2017
Shareholder loan	\$ —	\$ 3,101,342

The controlling shareholder of the Company, Greybrook Health Inc., extended loans to the Company from time to time in order to fund ongoing expansion activities and operating losses. The unsecured loan carried interest at 10%, compounded on a monthly basis and was repayable on demand. The loan was repaid in full during the six months ended June 30, 2018.

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

	June 30, 2018	December 31 2017
Non-controlling interest loans	\$ 77,299	\$ 40,943

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 7. Loans payable (continued):

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.

## 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. There were nil preferred shares issued and outstanding.

	Special warrants		Common stock		Total	
	Number	Amount	Number	Amount	Number	Amount
December 31, 2017	–	\$ –	37,524,375	\$ 8,208,448	37,524,375	\$ 8,208,448
Special warrant issuance	10,000,000	18,674,174	–	–	10,000,000	18,674,174
June 30, 2018	10,000,000	\$ 18,674,174	37,524,375	\$ 8,208,448	47,524,375	\$ 26,882,622

On March 16, 2018 and June 7, 2018, the Company issued a total of 9,271,000 and 729,000 special warrants respectively, for gross proceeds of \$20,000,000 and incurred transaction costs of \$1,325,826, of which \$215,724 relate to broker warrant issuance costs (see note 11 (b)). The special warrants will automatically convert on a one-for-one basis into common shares of the Company if the Company completes its filing of the preliminary prospectus prior to September 16, 2018. In the event that the Company fails to obtain a receipt for a preliminary prospectus prior to September 16, 2018, each outstanding special warrant will convert on a one-for-one-and-one-tenth basis into 11,000,000 common shares of the Company.

## 9. Operating lease commitments:

The majority of the Company's center space and devices are leased under non-cancelable operating leases ranging in terms from three to seven years. The Company's center space leases are generally subject to periodic consumer price index increases or contain fixed escalation clauses.

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 9. Operating lease commitments (continued):

The Company's future obligations for minimum annual payments under operating leases for center space and devices for the next five years and thereafter are as follows:

	Devices	Center	Total
2018	\$ 676,736	\$ 848,883	\$ 1,525,619
2019	1,229,628	1,672,907	2,902,535
2020	773,387	1,570,843	2,344,230
2021	228,253	1,417,221	1,645,474
2022	–	1,114,906	1,114,906
Thereafter	–	1,397,266	1,397,266

Rent expense under all operating leases for the six months ended June 30, 2018 and 2017 was \$1,456,361 and \$923,682, respectively. Rent expense is recorded on a straight-line basis over the term of the lease for leases that contain fixed escalation clauses or include abatement provisions.

## 10. 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.

## 11. Contributed surplus:

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

### (a) Stock-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.

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
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Three months ended June 30, 2018 and 2017  
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## 11. Contributed surplus (continued):

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 June 30, 2018, this represented 3,752,438 common shares.

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

	June 30, 2018		December 31, 2017	
	Number of stock options	Weighted and actual average exercise price	Number of stock options	Weighted and actual average exercise price
Outstanding, beginning of year	2,219,500	\$ 1.00	1,087,500	\$ 1.00
Granted	80,500	1.50	1,132,000	1.00
Outstanding, end of period	2,300,000	1.02	2,219,500	1.00

The weighted average contractual life of the outstanding options as at June 30, 2018 was 7.9 years (December 31, 2017 - 8.4 years).

The total number of stock options exercisable as at June 30, 2018 was 1,382,667 (December 31, 2017 – 883,833).

The aggregate fair value of the stock options granted during the six months ended June 30, 2018 was \$76,475 (June 30, 2017 - \$701,840).

# GREENBROOK TMS INC.

Notes to Condensed Interim Consolidated Financial Statements (continued)  
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## 11. Contributed surplus (continued):

The fair value of the stock options granted during the six months ended June 30, 2018 was estimated to be \$0.95 (December 31, 2017 - \$0.62) per option using the Black-Scholes option pricing model based on the following assumptions: volatility of 52.47% calculated based on a comparable company (December 31, 2017 - 52.06%); remaining life of ten years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 2.09% (December 31, 2017 - 1.63%).

During the six months ended June 30, 2018, the Company recorded a total stock-based options compensation expense of \$184,572 (June 30, 2017 - \$157,222).

As at June 30, 2018, the total compensation cost not yet recognized related to options granted is approximately \$301,726 (December 31, 2017 - \$409,823) and will be recognized over the remaining average vesting period of 1.2 years (December 31, 2017 - 1.3 years).

### (b) Broker warrants:

In connection with the special warrant offering, on March 16, 2018 and June 7, 2018, the Company issued 313,920 and 39,726 broker warrants, respectively, that vested immediately to the agent. Each broker warrant entitles the agent to acquire one common share of the Company at an exercise price of \$2.00 and expires two years from the date of issue.

The fair value of the broker warrants granted on March 16, 2018 was estimated to be \$0.61 (December 31, 2017 - nil) per warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 52.46% calculated based on a comparable company (December 31, 2017 - nil); remaining life of 2.0 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 2.14% (December 31, 2017 - nil).

The fair value of the broker warrants granted on June 7, 2018 was estimated to be \$0.61 (December 31, 2017 - nil) per warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 52.16% calculated based on a comparable company (December 31, 2017 - nil); remaining life of 2.0 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 2.27% (December 31, 2017 - nil).

The aggregate fair value of the issued broker warrants granted of \$215,724 is recognized as part of the transaction costs of the special warrant offering which is reflected in the special warrants equity reserve. The vesting period for the broker warrant is immediate.



# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 11. Contributed surplus (continued):

In addition, on June 29, 2018, the Company issued 150,000 broker warrants, that vested immediately, to the agent in connection with certain advisory services provided to the Company. Each broker warrant entitles the agent to acquire one common share of the Company at an exercise price of \$2.00 per broker warrant until March 16, 2020. The fair value of \$85,500 of the issued broker warrants was recorded as a corporate, general and administrative expense during the six months ended June 30, 2018 (June 30, 2017 – nil).

The fair value of the broker warrants granted on June 29, 2018 was estimated to be \$0.57 (December 31, 2017 - nil) per warrant using the Black-Scholes option pricing model based on the following assumptions: volatility of 52.66% calculated based on a comparable company (December 31, 2017 - nil); remaining life of 1.7 years; expected dividend yield of 0%; forfeiture rate of 0% and an annual risk-free interest rate of 2.17% (December 31, 2017 - nil).

	June 30, 2018		December 31, 2017	
	Number of broker warrants	Weighted and actual average exercise price	Number of broker warrants	Weighted and actual average exercise price
Outstanding, beginning of year	-	\$ -	-	\$ -
Granted	503,646	2.00	-	-
Outstanding, end of period	503,646	2.00	-	-

The weighted average contractual life of the outstanding broker warrants as at June 30, 2018 was 1.7 years (December 31, 2017 - 0 years).

The total number of broker warrants exercisable as at June 30, 2018 was 503,646 (December 31, 2017 - nil).

The aggregate fair value of the broker warrants granted during the six months ended June 30, 2018 was \$301,224 (June 30, 2017 - nil).

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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## 12. Income taxes:

During the three and six months ended June 30, 2018, there were no significant changes to the Company's tax position.

## 13. 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.

Financial instruments are classified into one of the following categories: amortized cost, fair value through profit or loss or fair value through other comprehensive income.

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

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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

	June 30, 2018	December 31, 2017
Cash	\$ 14,034,678	\$ 1,532,580
Accounts receivable	3,303,673	2,104,746
Items classified as loans and receivable	\$ 17,338,351	\$ 3,637,326
Accounts payable and accrued liabilities	\$ 2,762,185	\$ 2,196,381
Short-term portion of loans payable	2,040	13,771
Shareholder's loan payable	–	3,101,342
Non-controlling interest loans	77,299	40,943
Items classified as other financial liabilities	\$ 2,841,524	\$ 5,352,437

### (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. Collectability of the receivables is reviewed regularly and an allowance is established as necessary.

### (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

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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

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.

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

## 15. Related party transactions:

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

As at June 30, 2018, \$118,482 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, 2017 - \$433,342).

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 15. Related party transactions (continued):

(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 (see note 7 (b)).

## 16. Basic and diluted loss per share:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net loss attributable to the shareholders of: Greenbrook TMS	\$ (1,372,984)	\$ (319,247)	\$ (2,513,404)	\$ (877,376)
Weighted average common shares outstanding: Basic and diluted	37,524,375	36,807,137	37,524,375	36,090,402
Loss per share: Basic and diluted	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.02)

For the three and six months ended June 30, 2018, the effect of 2,300,000 (June 30, 2017 – 2,219,500) options and 10,000,000 (June 30, 2018 - nil) special warrants have been excluded from the diluted calculation because this effect would be anti-dilutive.

## 17. 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.

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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

Name	Year incorporated	Ownership interest
Greenbrook TMS Arlington LLC	2018	70%
Greenbrook TMS Cary LLC	2016	75%
Greenbrook TMS Chapel Hill LLC	2017	90%
Greenbrook TMS Christiansburg LLC	2018	70%
Greenbrook TMS Easton LLC	2017	80%
Greenbrook TMS Fairfax LLC	2016	60%
Greenbrook TMS Greensboro LLC	2017	70%
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	65%
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%

On May 5, 2018, the Company acquired a non-controlling ownership interest in TMS NeuroHealth Centers Kensington, LLC for \$130,013. As a result, as at June 30, 2018, TMS NeuroHealth Centers Kensington, LLC is a wholly-owned subsidiary of the Company.

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

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

The following table summarizes the aggregate financial information for the above-noted entities, excluding intercompany eliminations, as at June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
Cash	\$ 731,316	\$ 665,140
Accounts receivable	2,527,147	1,707,501
Prepaid expenses and other	805,679	403,045
Property, plant and equipment	202,120	104,988
Account payable and accrued liabilities	470,275	421,193
Loans payable	3,871,379	3,578,076
Deficit attributable to the shareholders of Greenbrook TMS	(103,134)	(719,491)
Deficit attributable to non-controlling interest	51,622	(130,614)
Distributions paid to non-controlling interest	(303,980)	(268,680)
Subsidiary Investment by non-controlling interest	280,100	190

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue	\$ 3,387,364	\$ 2,544,007	\$ 6,211,669	\$ 4,502,643
Net income attributable to the shareholders of Greenbrook TMS	66,728	114,487	35,389	135,051
Net income attributable to non-controlling interest	40,896	72,192	52,033	87,846

# GREENBROOK TMS INC.

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

Three months ended June 30, 2018 and 2017  
(Unaudited)

## 18. Expenses by nature:

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Salaries and bonuses	\$ 619,606	\$ 399,436	\$ 1,192,478	\$ 823,180
Marketing expenses	404,412	326,963	780,952	653,921
<b>Total</b>	<b>\$ 1,024,018</b>	<b>\$ 726,399</b>	<b>\$ 1,973,430</b>	<b>\$ 1,477,101</b>

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

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Salaries and bonuses	\$ 530,368	\$ 231,245	\$ 1,033,519	\$ 504,702
Marketing expenses	255,801	86,809	409,812	185,758
Computer supplies and software	163,099	43,411	339,007	73,837
Transaction costs	452,972	—	452,972	—
Other	375,582	112,013	583,419	206,415
<b>Total</b>	<b>\$ 1,777,822</b>	<b>\$ 473,478</b>	<b>\$ 2,818,729</b>	<b>\$ 970,712</b>