Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial report and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's unaudited interim consolidated financial report for the three months ended March 31, 2011 and 2010. Additional information on Redishred, including these documents and the Company's 2010 annual report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at June 21, 2011.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking reports can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking reports involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In particular, certain reports in this document discuss Redishred's anticipated outlook of future events. These reports include, but are not limited to:

(i) the Company's ability to achieve certain levels of cash flow, which may be impacted by:

  a. the number of new franchises awarded,
  b. the size of the franchise territories awarded,
  c. the growth of the system sales achieved by existing and new locations,
  d. the economic circumstances in certain regions of the United States,
  e. the growth of sales achieved in corporate locations,
  f. the level of corporate overhead,
  g. the outcome of current litigation.

(ii) franchise development or the awarding of franchises, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise;

(iii) the line of credit facility may be used to fund acquisitions in select markets in the United States, which is subject to the identification of appropriate assets and agreement of suitable terms;

(iv) anticipated system sales and royalty revenue which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft;

(v) commodity paper prices which will vary with market conditions, and

(vi) the commencement of new franchise or licensed operations which may be delayed by the inability of the franchisee or licensee to comply with the franchise or license agreement terms and conditions post execution.

These forward-looking reports should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking reports will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- System sales are revenues generated by franchisees and corporately operated locations. The system sales generated by franchisees drive the Company's royalty and information technology fee revenues. The system sales generated by corporate locations are included in the Company's revenues.
- Same location system sales results are indicators of performance of franchisees and corporately operated locations that have been in the system for equivalent periods in 2011 and 2010.
- Operating income (loss) is defined as revenues less operating costs, depreciation and amortization related to the equipment purchased in relation to the Company's corporate locations and depreciation and amortization related to equipment used in the franchise business. Depreciation and amortization for intangible assets has not been included in this calculation.

Basis of Presentation

On January 1, 2011, under Canadian GAAP, all public reporting companies in Canada were required to adopt International Financial Reporting Standards ("IFRS") as GAAP. All financial information reported in this MD&A is presented under IFRS (including all comparative 2010 information). Please refer to the section called International Financial Reporting Standards on page 4 of this MD&A for a description of the impact of adopting IFRS on the Company.

Overview of Redishred Capital Corp.

Redishred Capital Corp., based in Mississauga, Ontario, Canada owns and operates the Proshred brand and system in the United States and Internationally. As of March 31, 2011 there were 18 Proshred locations in the United States (see below) comprising of 72.4 territories, and one international licence to operate in the Middle East[1]. A territory is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). The Company operated the Syracuse location directly as of May 1, 2010 and has been operating the Albany location directly as of July 1, 2010. On December 31, 2010, the Company purchased the Milwaukee, WI franchise; the results from the Milwaukee location are included in the Company's 2011 operating results. The Company's location list is as follows:

No.	Franchise locations	Operating since	Territories
1.	SPRINGFIELD, MA	June 2003	2.3
2.	TAMPA BAY, FL	March 2004	2.1
3.	DENVER, CO	August 2004	3.8
4.	CHARLOTTE, NC	April 2006	3.3
5.	PHILADELPHIA, PA	September 2006	5.0
6.	KANSAS CITY, MO	December 2006	4.0
7.	NEW HAVEN, CT	April 2007	3.6
8.	CHICAGO, IL	April 2007	3.8
9.	RALEIGH, NC	June 2007	4.7
10.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
11.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008	11.3
12.	MIAMI, FL	June 2008	5.7
13.	N. VIRGINIA, VA	July 2008	3.8
14.	ORANGE COUNTY, CA	September 2009	3.0
15.	SAN DIEGO, CA	October 2010	2.9
		Subtotal	*66.0*

No.	Corporate locations	Operating since	Territories
16.	SYRACUSE, NY	March, 2004*	2.5
17.	ALBANY, NY	April, 2003*	1.2
18.	MILWAUKEE, WI	August 2003*	2.7
		Subtotal	*6.4*
		Grand Total	***72.4***

** Syracuse has been corporately operated since May 1, 2010; Albany has been corporately operated since July 1, 2010; Milwaukee has been corporately operated since January 1, 2011.*

[1] Middle East license includes Gulf Cooperation Council countries of Saudi Arabia, Kuwait, Bahrain, Qatar, The United Arab Emirates, the Sultanate of Oman and the Republic of Yemen, in addition to, the Eastern Mediterranean Levant Countries of Turkey, Syria, Lebanon, Palestine, Jordan, Iraq, and Egypt including the islands of Crete, Cyprus, Rhodes, Chios and Lesbos.

On May 16, 2011, the Company announced the addition of the Indianapolis, IN franchise to the system. This franchise comprises 2.6 territories, and has commenced operations in June of 2011. This will bring the total location count to 19.

Operations related to our Middle East licensee are expected to commence in the last half of 2011.

The Company operates the Proshred franchising business (defined as the business of granting and managing franchises in the United States and by way of license arrangement in the Middle East). The Company's plan is to grow its business by way of both franchising and the acquisition and operation of document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service.

International Financial Reporting Standards

Impact of Adoption of IFRS

Redishred has adopted IFRS effective January 1, 2010 (the transition date) and has prepared its opening balance sheet as at that date. Prior to the adoption of IFRS the Company prepared its financial report in accordance with previous Canadian GAAP. The Company's consolidated financial report for the year ended December 31, 2011 will be the first annual financial report that comply with IFRS. Redishred's first quarter 2011 interim financial report have been prepared in accordance with IFRS.

IFRS is premised on a conceptual framework similar to previous Canadian GAAP, however, there are significant differences in certain matters of recognition, measurement, presentation and disclosures. While the adoption of IFRS did not have an impact on Redishred's reported net cash flows, it did have a material impact on the Company's consolidated balance sheets and statements of income.

Balance Sheet Impact

The most significant balance sheet impact relates to the valuation of Redishred's tangible and intangible assets, and in particular the method of measuring impairment. Under previous Canadian GAAP, an impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value. The carrying amount is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. The impairment loss is then measured as the amounts by which the carrying amount of a long-lived asset exceeds its fair value.

Under IFRS, an impairment loss is the amount by which the carrying amount of an asset or a cash generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. If the recoverable amount is less than the carrying amount, then the carrying amount is reduced to the recoverable amount. The cash inflows of a CGU are inflows of cash and cash equivalents received from third parties. A CGU is defined as the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets. Redishred measures its cash flows from individual franchisee royalty streams and from individual corporate locations. Additionally, IFRS measures the recoverability of the carrying value of assets using discounted cash flows. As a result, the impact of this accounting change resulted in a $3,150,000 decrease in the value of Redishred's intangible assets at the opening IFRS balance sheet date of January 1, 2010, which was a 69% decrease in the carrying value under previous Canadian GAAP at December 31, 2009. These changes to the opening balance sheet required a corresponding tax adjustment. The tax adjustment resulted in a $477,983 decrease in the Company's future income tax liability as at January 1, 2010 compared to December 31, 2009 under previous Canadian GAAP.

The Company's accounting for stock options was also impacted by the change to IFRS. The change resulted in a $30,548 increase in contributed surplus at January 1, 2010.

The net difference of these adjustments flowed through Shareholders' Equity, which decreased by $2,672,017 at the transition date. Redishred's previous deficit of $3,642,286 at December 31, 2009 was adjusted by $2,560,943, resulting in a deficit of $6,203,229 under IFRS as at January 1, 2010.

Income Statement Impact

In adopting IFRS, Redishred restated its income statement for the first quarter of 2010. The accounting changes resulted in a net loss based under IFRS of $211,110 for the quarter ended March 31, 2010, compared to a net loss of $305,643 under previous Canadian GAAP. This change was primarily attributable to a $97,574 decrease in amortization as a result of the impairment impact at the transition date as well as an increase in future income tax expense of $10,122. The Company also adjusted its share-based payments in order to comply with IFRS standards, which resulted in a $7,081 decrease in general and administrative expense.

Variability of Results with IFRS

Redishred's unaudited quarterly consolidated operating results may vary substantially from year to year for a number of reasons, including the following: the current economic environment including volatility of currency exchange rates; the change in value of stock-based compensation; changes in tax legislation or in the application of tax legislation; and activities at Redishred's operating subsidiaries. These activities may include the purchase of businesses; fluctuations in customer demand and employee related costs; changes in the mix of revenue earned; changes in the financing of the business; impairments of goodwill, intangible assets or long lived assets; and litigation.

Elections Applied in Adopting IFRS

In preparing this consolidated financial report in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

Business combinations – IFRS 1 allows for the guidance under IFRS 3 (revised), *Business Combinations*, to be applied either retrospectively or prospectively. Redishred has elected to adopt IFRS 3 (revised) prospectively. Accordingly, all business combinations on or after January 1, 2010 will be accounted for in accordance with IFRS 3 (revised).

Cumulative translation differences – IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. Redishred deemed all cumulative translation differences to be zero on transition to IFRS.

Share-based payment transactions - IFRS 2, *Share-based Payments* , the Company has elected to apply IFRS 2, to equity instruments granted after November 7, 2002 that have not vested by the transition date.

In preparing this consolidated financial report in accordance with IFRS 1 the Company has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP will not be revised for the application of IFRS except where necessary to reflect any differences in accounting policies between IFRS and Canadian GAAP.

Performance Compared to 2011 Goals and Objectives

In the Company's 2010 Annual Report, management stated its 2011 goals and objectives. A review of the Company's performance in meeting these goals and objectives are included below:

2011 Goals and Objectives	Performance to March 31, 2011	Comments
Grow system sales from existing locations by 15% to $14.8M USD compared to 2010.	Redishred's system sales from all locations grew by 14% over the first quarter of 2010. Same location system sales grew by 13% for the same period.	Redishred continues to be close to its target to attain this goal.
Establish two new franchise locations.	On May 16, 2011, Redishred awarded the Indianapolis, IN franchise.	Redishred continues to be on target to attain this goal.
Establish two new corporate locations by way of acquisition or by way of starting new locations.	Redishred has not completed any acquisitions during the first quarter of 2011.	The Company continues to monitor the industry for acquisition opportunities. ***Annual goal unchanged.***
Achieve a minimum of $450,000 in EBITDA from existing Corporate locations (Syracuse, Albany and Milwaukee).	Redishred has earned $174,364 in EBITDA (and $142,502 in earnings before interest, taxes and depreciation on intangibles) from its Corporate locations in the first quarter of 2011.	The Company continues to be close to its target to attain this goal.

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the three months ended March 31, 2011 and 2010.

(in CDN except where noted)

For the three months ended,	**March 31, 2011**	March 31, 2010	Percentage Change
	$	$	
Franchise sales and revenue data:			
System sales (USD)	**3,530,693**	3,108,481	14%
Franchise related revenue[1]	**219,248**	242,013	(9)%
Corporate location data:			
Corporate location revenue	**491,764**	-	100%
Corporate location costs[2]	**(418,057)**	-	100%
Net income from corporate locations	**73,707**	-	100%
Operating cost data:			
Recurring	**(440,731)**	(350,562)	(26)%
Bad debt expense	**(14,792)**	-	100%
Depreciation and Amortization- equipment	**(4,727)**	(10,047)	53%
Total operating costs	**(460,250)**	(360,609)	(28)%
Operating income (loss)	**(167,115)**	(118,596)	(41)%
Net income (loss)	**(325,908)**	(211,110)	(54)%
Loss per share	**(0.011)**	(0.007)	(54)%

(1) The reduction in royalty revenue is due to the conversion of three franchise locations to corporate locations.
(2) Corporate location costs include operating costs, interest expense on the use of the Company's line of credit to purchase Syracuse & Albany, and depreciation and amortization on tangible assets.

The Company operates the Proshred system, and derives revenues from franchise and other fees as well as royalty and service related fees. In addition to operating the Proshred franchise system, the Company operates three corporate locations in Syracuse, Albany, and Milwaukee. These corporate locations generate shredding service revenue and recycling revenue as well as costs related to the marketing to and servicing of customers. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

Total Revenues

Franchising and licensing:

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Franchise and license fees[1]	**-**	-	-%
Royalty and service fees	**219,428**	242,013	(9)%
Total franchise and license related revenue	**219,428**	242,013	(9)%

1 On May 16, 2011, the Company awarded the Indianapolis, IN franchise, recognizing $63,455 in franchise fees in the 2nd quarter.

The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. Royalties and service fees are charged for use of the trademarks and system, franchise and license fee revenue is generated when a franchise or license is awarded. For the three months ended March 31, 2011, royalty and fee revenues, denominated in US dollars were $222,521 USD. The reduction in royalty revenue was driven by the conversion of three franchise locations to corporate locations which lowered franchise and license fees by $42,171, which relates to the royalties of the three corporate locations. The reduction in royalty revenue was also driven by the continued weakening of the USD versus the CAD dollar.

Corporate Operations:

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Shredding services	**362,323**	-	100%
Recycling	**129,441**	-	100%
Total shredding related revenue	**491,764**	-	100%

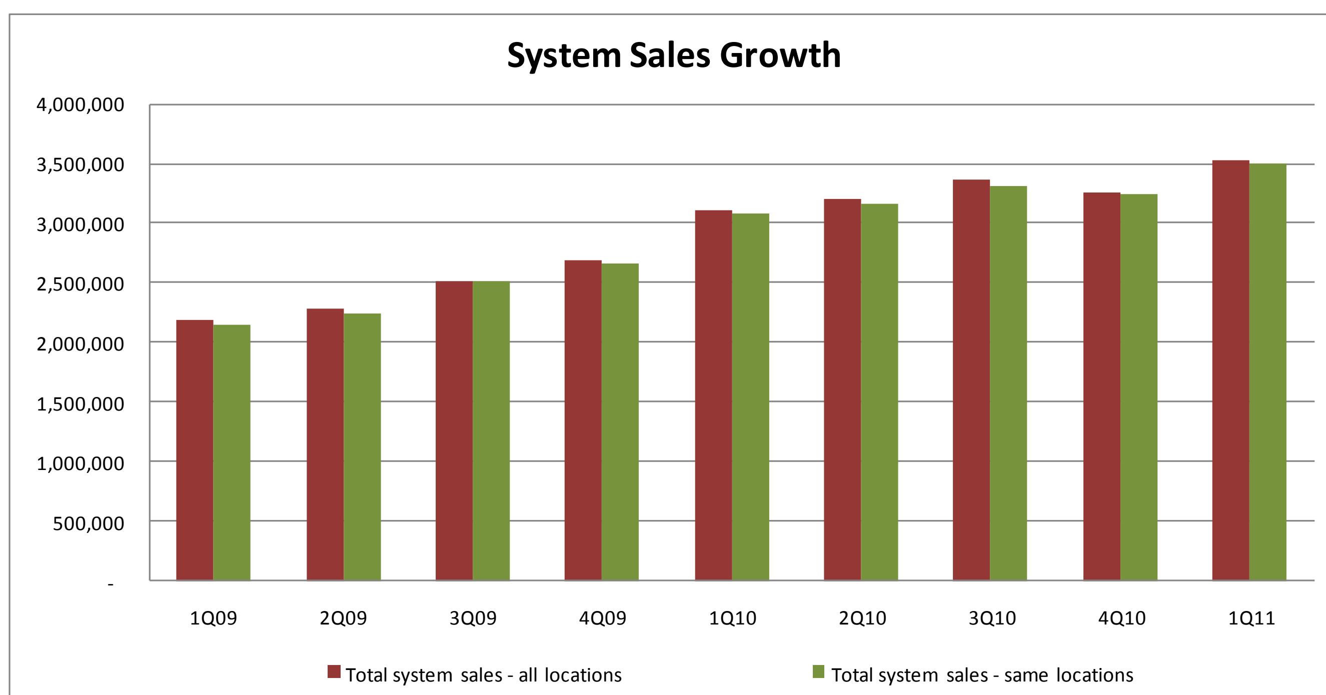
Shredding service and recycling revenue is generated by our corporate locations in Albany, Syracuse and Milwaukee. These revenues are generated in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2011, shredding service and recycling revenues, denominated in US dollars were $498,696 USD.

System Sales

Franchisees and corporate locations derive revenue by providing shredding services to their customers, and by selling recycled paper and other recyclable by-products. These sales are commonly referred to as “system sales,” and are the key driver of royalty and service fee revenue. System sales are denominated and reported in US dollars during the reported periods as follows:

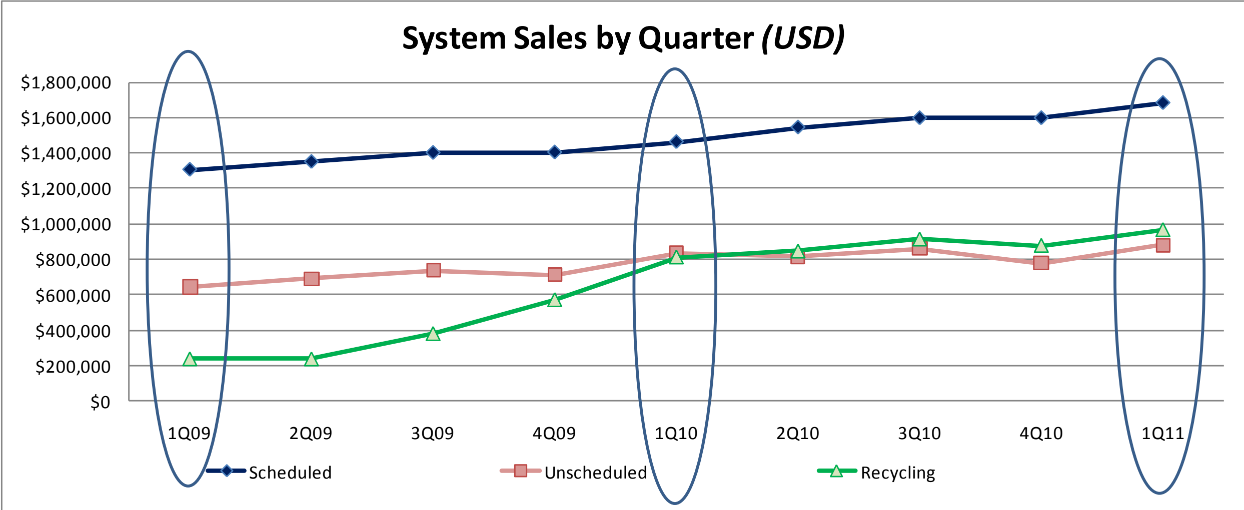
	3 months ended March 31		
	2011	2010	%Ch
Total operating locations at period end	**18**	17	6%
Territories	**72.4**	69.5	4%
Total system sales (USD)	**$ 3,530,693**	$3,108,481	14%
Total system sales (CDN)	**$ 3,481,616**	$3,235,929	8%

The following chart illustrates system sales growth by quarter since 2009. Redishred set a new quarterly record for system sales in the first quarter of 2011.



System Sales Quarter Over Quarter:

System sales are broken into three categories, scheduled service sales, unscheduled service sales and recycling.



Service related system sales, scheduled and unscheduled, were $2,564,187 for the first quarter of 2011, growing by $267,204 over the first quarter of 2010.

Scheduled sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. This category of service revenue is recurring in nature, usually on a monthly basis. Proshred's sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees and corporate locations with stable and recurring cash flows. This resulted in continued double digit growth in this category in the first quarter of 2011 versus the same quarter in 2010.

	3 months ended March 31		
	2011	2010	%Ch
Scheduled service sales (USD)	**$ 1,684,657**	$ 1,462,045	15%
Mix of total system sales	**48%**	47%	

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. Unscheduled sales during the first quarter of 2011 grew by 5% over the first quarter of the previous year due in part to an improving economy and due in part to increasing awareness of legislation mandating that confidential documents be destroyed on a regular annual cycle. This category also grew by 13% over the fourth quarter of 2010.

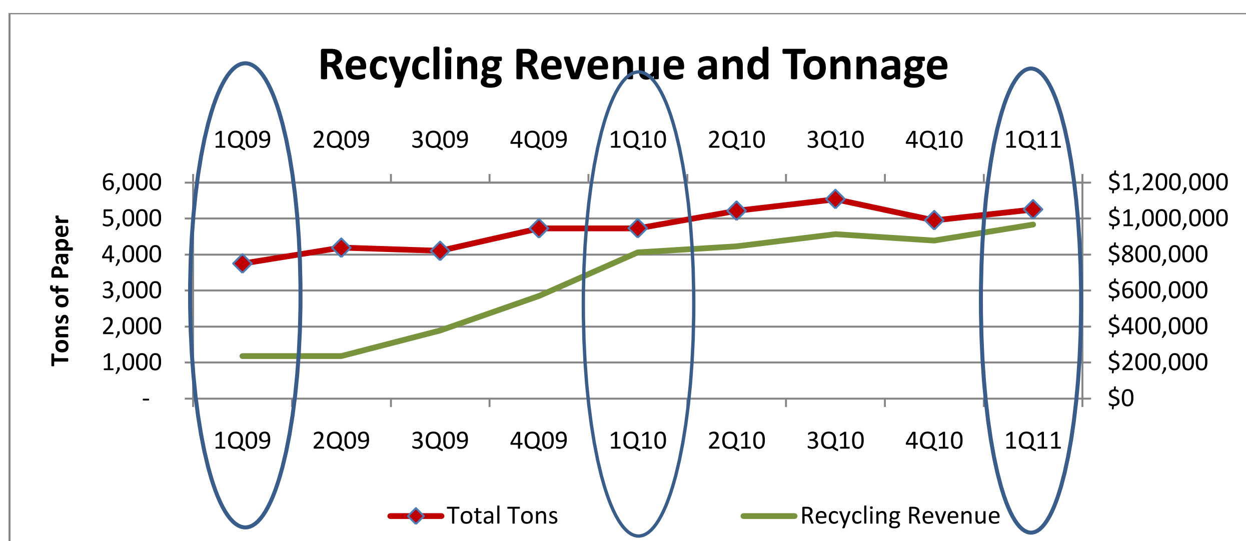
	3 months ended March 31		
	2011	2010	%Ch
Unscheduled service sales (USD)	**$ 879,530**	$ 834,938	5%
Mix of total system sales	**25%**	27%	

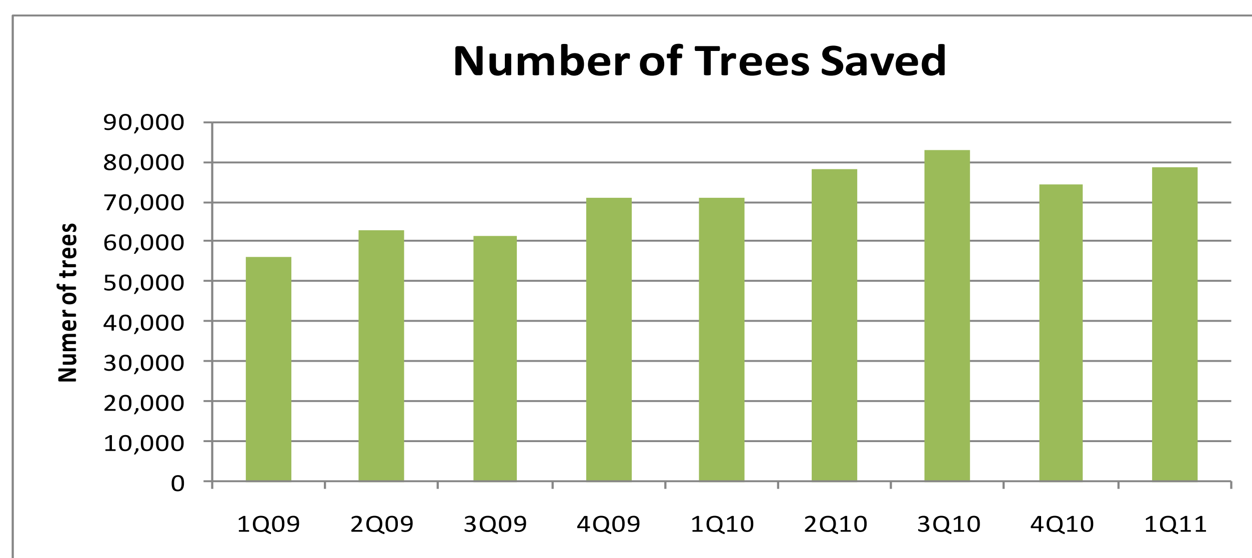
Recycling sales:

Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by global supply and demand for shredded paper. During the last quarter of 2009 and during fiscal 2010, prices for recycled paper products grew to near record highs, this trend has continued into 2011.

	3 months ended March 31		
	2011	2010	%Ch
Recycling sales (USD)	**$ 966,506**	$ 811,879	19%
Mix of total system sales	**27%**	26%	

The system as a whole has continued to shred and recycle increased volumes of paper every quarter. During the first quarter of 2011, the system shredded and recycled 5,250 (4,700 – March 31, 2010) tonnes of paper, which equates to 78,800 (70,900 – March 31, 2010) trees being saved.





Same location sales for the analysis above has not been broken out as only one new location was opened in 2010, and their sales will not have a material impact.

Operating Expenses

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Salaries	**216,471**	211,569	2%
General, administrative and marketing	**239,052**	138,993	72%
Depreciation and amortization - equipment	**4,727**	10,047	(53)%
	460,250	360,609	28%

Operating expenses for the quarter ended March 31, 2011 include expenses to support 18 Proshred locations in operation, training and initial support for pending locations, the costs to develop new markets by way of franchising, licensing and acquisition and the amortization of office equipment and furniture and fixtures. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. The Company continues to closely monitor and control all operating expenses.

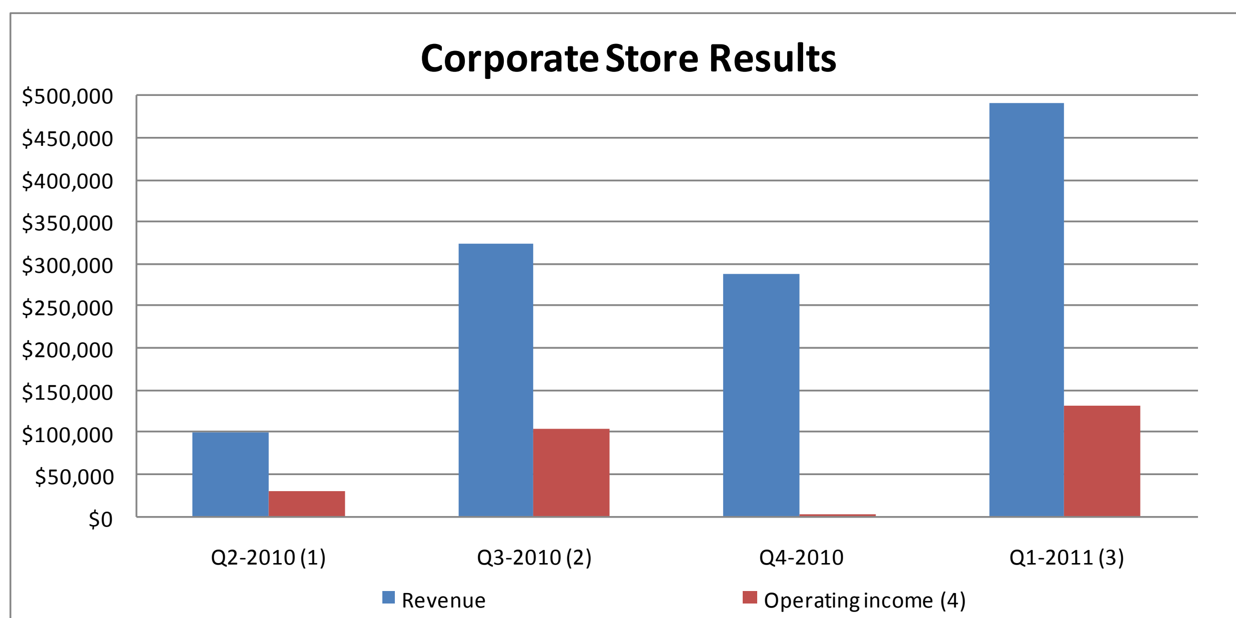
Corporate Operations

On April 30, 2010, the Company purchased the Syracuse franchise, on June 30, 2010 the Company purchased the Albany franchise, and on December 31, 2010, the Company purchased the Milwaukee franchise. These locations represent the Company's corporately owned and operated locations.

3 months ended March 31,	**2011**	% of revenue
	$	
Revenue:		
Shredding service	**362,323**	74%
Recycling	**129,441**	26%
Total revenue	**491,764**	100%
Operating costs	**319,479**	65%
	172,285	35%
Depreciation[1]	**29,783**	6%
Interest expense	**68,795**	14%
Corporate location operating income	**73,707**	15%

[1] *Includes depreciation expense taken on tangible assets, including shredding vehicles, computer equipment, bins and shredding containers, recycling equipment and furniture.*

The following chart illustrates the last 4 quarters of results from the corporate locations:



(1) Syracuse, NY was purchased on April 30, 2010.
(2) Albany, NY was purchased on June 30, 2010, operations did not commence until July 1, 2010.
(3) Milwaukee, WI was purchased on December 31, 2010, operations did not commence until January 1, 2011.
(4) Operating income is defined as revenue less operating costs, less depreciation associated with shredding trucks and other tangible assets utilized by the operation.

Operating income (loss)

The Company posted an operating loss of $167,115 during the first quarter of 2011. The Company's corporate locations in Syracuse and Albany have been accretive to Redishred's cash flows, while the newly acquired Milwaukee location was cash flow negative in the first quarter due to initial integration and transition costs. The costs were one-time in nature. In addition to the cash generated from the corporate locations, the Company generates additional revenues from on-going royalty and licence fees.

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Operating income (loss)	**(167,115)**	(118,596)	41%

Foreign currency

Foreign currency gain (loss) was as follows:

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Foreign currency gain (loss)	**(76,952)**	(700)	10893%

All of Redishred's revenues are denominated in US Dollars; this dependency on US dollar revenues causes foreign exchange gains when the Canadian Dollar depreciates versus the US Dollar or when the Company incurs significant U.S. dollar costs.

Interest income and expense

Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees. Interest expense is attributed to the use of the Company's line of credit facility, which bears interest at 10% per annum. All interest costs have been attributed to the corporate locations to date.

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Interest income	**942**	1,538	(39)%
Interest expense	**(68,795)**	-	100%

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2011 can be broken into two main classes, (1) related to the purchase of PSC and the Proshred franchise business in 2008 and (2) the assets purchased in relation to the Syracuse, Albany and Milwaukee corporate locations. Depreciation and amortization are as follows:

	3 months ended March 31		
	2011	2010	%Ch
Franchise and license operations	**$**	$	
Depreciation and amortization – equipment	**4,727**	10,047	(53)%
Depreciation and amortization – intangibles	**45,822**	99,353	(54)%
Depreciation and amortization	**50,549**	109,400	(54)%
Corporate operations			
Depreciation and amortization – equipment	**29,783**	-	100%
Depreciation and amortization – intangibles	**39,530**	-	100%
Depreciation and amortization	**69,313**	-	100%
Total	**119,862**	109,400	10%

Income Tax

On March 17, 2008 the Company booked a future tax liability relating to the purchase of PSC and PFC. During the three months ended March 31, 2011, the Company booked a tax recovery of $9,946. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC.

Net Loss

	3 months ended March 31		
	2011	2010	%Ch
	$	$	
Net loss	**325,908**	211,110	54%

The increase in net loss in the first quarter of 2011 versus the first quarter of 2010 was driven by increased impairment charges, the foreign exchange loss in the first quarter of 2011 and increased SG&A costs related to increased legal and accounting fees.

Selected Quarterly Results

(in CDN except where noted)	2011-1 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2
System sales *(USD)*	**$ 3,530,693**	**$ 3,253,687**	**$ 3,371,135**	**$ 3,202,222**	**$ 3,108,481**	**$ 2,685,433**	**$ 2,516,869**	**$ 2,275,612**
Total revenue	**711,192**	**755,279**	**670,695**	**335,777**	**242,013**	**212,767**	**326,988**	**200,175**
Franchise and license operations:								
Franchise and license fees	-	246,249	109,164	-	-	-	118,131	-
Royalty and service fees	219,428	220,895	236,639	235,092	242,013	212,767	208,857	200,175
Total revenue from franchising and licensing	**219,428**	**467,144**	**345,803**	**235,092**	**242,013**	**212,767**	**326,988**	**200,175**
Total operating expenses	(460,250)	(466,769)	(499,164)	(458,545)	(360,609)	(523,382)	(518,062)	(792,653)
Total operating income - franchising	**(240,822)**	**375**	**(153,361)**	**(223,453)**	**(118,596)**	**(310,615)**	**(191,074)**	**(592,478)**
Corporate operations:								
Corporate locations revenue	491,764	288,135	324,892	100,685	-	-	-	-
Corporate locations costs	(349,262)	(234,907)	(205,372)	(72,595)	-	-	-	-
Interest expense	(68,795)	(32,523)	(31,361)	(9,198)	-	-	-	-
Total operating income - corporate	**73,707**	**20,705**	**88,161**	**18,892**	**-**	**-**	**-**	**-**
Income (loss) before taxes	(330,908)	21,080	(65,200)	(204,561)	(217,110)	(310,615)	(191,074)	(592,478)
Profit (loss) attributable to owners of the parent	(325,908)	(456,990)	(154,026)	(300,831)	(211,110)	(537,686)	(319,428)	(751,641)
Basic and diluted net income (loss) per share	(.01)	(.01)	(.01)	(.01)	(.01)	(.03)	(.01)	(.03)

2011

System sales continue to experience double digit growth into the first quarter of 2011. System sales have been driven by strong growth in scheduled sales and by revenues generated from the recycling of the paper by-product. Royalty revenues are lower versus 2011, due to the conversion of three franchise locations to corporate locations and due to the continued appreciation of the Canadian dollar versus the US dollar.

2010

System sales have seen upward momentum since the second quarter of 2009, due to continued growth in service related system sales, and due to very strong growth in recycling related system sales. The Company also operated two corporate locations, resulting in increased income from this business segment. The Company in 2010 has continued to minimize operating overheads, resulting in a 22% reduction in costs versus fiscal 2009.

For the majority of 2010, the Canadian dollar continued to strengthen versus the US dollar, resulting in tempered growth in royalty revenues reported versus 2009.

Balance Sheet

	March 31, 2011	December 31, 2010	January 1, 2010
Working capital	**$ 793,885**	$ 840,092	$ 1,119,942
Total assets	**4,976,160**	5,241,927	3,129,538
Total liabilities	**3,516,454**	3,526,442	508,021

The Company has a line of credit facility of $4 million, of which $2.79 million has been used to date. The line of credit was entered into on November 27, 2009 for a maximum amount of $4 million, repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum, and secured by a general security agreement over the Company's assets.

The Company issued no dividends during the year.

Financial Condition / Capital Resources

As of March 31, 2011, the Company has working capital of $793,885 (December 31, 2010 - $840,092).

The Company monitors its cash balances and cash flows generated from operations to meet its requirements. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due over the next twelve months. The Company has used $2.79 million of its $4 million line of credit facility; these funds were used to acquire the Syracuse, Albany and Milwaukee franchises, two shredding trucks and initial working capital for the acquired businesses. The line of credit is repayable on November 27, 2014 and interest payments are due semi-annually. The accounts payable and accrued liabilities of $511,921 at March 31, 2011 (December 31, 2010 - $513,559) are due to be settled within one year from the balance sheet date.

It is management's plan to continue its core business strategy of (1) conducting accretive acquisitions, and (2) continuing to franchise in the United States. The Company estimates that it will be necessary to conduct between two and four acquisitions and to award between two and four new franchise locations over the next 24 months in order to achieve a breakeven level of cash-flows. The Company intends to use its remaining $1.21 million line of credit facility to finance acquisitions, start new locations and for general purposes. One-time franchise fees from new franchises have historically generated between $35,000 and $100,000 per franchise location. Additionally, new franchise locations add to recurring royalty and fee revenues.

Capital Assets

As at,	**March 31, 2011**	December 31, 2010	**% Ch**
Net book value	**$625,564**	$661,311	**(5)%**

Capital assets (not including intangible assets) decreased to $625,564 as a result of additional depreciation expense that was offset by additional bins and shredding containers purchased in the first quarter of 2011.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies and Changes in Accounting Policies

Please refer to the March 31, 2011 Financial Reports for a listing of all accounting policies in accordance with IFRS.

Transactions with Related Parties

Mr. Mark MacMillan, a Director of the Company is the owner of the Tampa, Florida Proshred franchise. Included in accounts and notes receivable at March 31, 2011, is $6,525 (March 31, 2010 - $13,445) due from the Director's franchise. During the three months ended March 31, 2011, the Company earned royalty and service fee amounts of $22,254 (March 31, 2010 - $18,970).

Included in general, administrative and marketing expense for the three months ended March 31, 2011 are insurance premium amounts of $6,450 (March 31, 2010 - $6,000) paid to Alfred J. Bell & Grant Ltd, a company owned by Mr. Phillip Gaunce, a Director of the Company.

All related party transactions have been recorded at their exchange amounts.

Risks and Uncertainties

Please refer to the 2010 Management Discussion and Analysis for a listing of all risks and uncertainties. There have been no material changes relating to the Companies risks and uncertainties since December 31, 2010, the Company' s fiscal year end.

Use of estimates and judgements

The preparation of the financial report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Subjects that involve critical assumptions and estimates and that have a significant influence on the amounts recognized in the unaudited interim consolidated financial report are further described as follows:

i) Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

ii) Impairment tests of assets

The Company tests at least annually whether goodwill has suffered any impairment, in accordance with its accounting policies. The determination of the recoverable amount of a CGU (or group of CGUs) to which goodwill is allocated involves the use of estimates by management. The Company generally uses discounted cash flow based methods to determine these values. These discounted cash flow calculations typically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate of future developments.

Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value-in-use include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Likewise, whenever long lived assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

iii) Income taxes

The Company, including its subsidiaries, operates and earns income in multiple countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the income tax liabilities and deferred tax liabilities in the period in which such determinations are made. At each balance sheet date, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets and liabilities. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax liabilities could be materially affected if changes in current tax regulations are enacted.

iv) Legal contingencies

The Company, including the operating companies, are parties to litigation with three franchisees. The outcome of this matter may have a material effect on the Company's consolidated financial position, results of operations or cash flows. Management regularly analyzes current information about this matter and provides on-going provisions for the estimate of legal expenses to resolve the matters. External lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim or disclosure of any such suit or assertion does not automatically indicate that a provision may be appropriate.

v) Useful lives of equipment and intangible assets

Management estimates the useful lives of equipment and definite life intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of these assets for any period are affected by these estimated useful lives. On an annual basis, the Company assesses the useful lives of its equipment and intangible assets with definite lives and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's equipment and definite life intangible assets in the future.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2011, there were 28,884,658 issued and outstanding common shares. As at March 31, 2011 there were 1,592,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. As of June 21, 2011 there are 28,884,658 issued and outstanding common shares, 1,732,500 options to acquire common shares and 4,000,000 warrants to acquire common shares.

Contingencies

On June 18, 2010, three franchisees filed a complaint with the United States District Court, Southern District of New York, which management of the Company believes is without merit. The Complaint has listed the following causes of action, (1) breach of contract and breach of the implied covenant of good faith and fair dealing by the Proshred Franchising Corp. ("PFC"), (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. These franchisees are located in Florida, North Carolina and Wisconsin. On July 13, 2010, one additional franchisee located in New York State joined the aforementioned complaint. On December 31, 2010, in conjunction with the purchase of the Proshred Wisconsin business by RAI, the Wisconsin franchisee permanently withdrew from the legal complaint.

The Company intends to vigorously defend against this claim. The Company is strongly of the view that it (1) has not breached any contracts or agreements with its franchisees and has acted in good faith with all franchisees, (2) has not made any fraudulent misrepresentations to any franchisees, (3) has not made negligent misrepresentation to any franchisees, and (4) has complied with all state laws as well as Federal Trade Commission rules and regulations regarding franchising.

The final outcome with respect to this claim cannot be predicted nor can the costs to defend this claim be quantified with certainty and therefore there can be no assurance that its resolution will not have an adverse effect on the Company's consolidated financial position. No amounts, other than legal costs, have been accrued in this consolidated financial report relating to this claim.

Subsequent Event

On May 16, 2011, the Company announced that it had entered into an agreement with a new franchisee to operate a Proshred shredding business in Indianapolis, Indiana. Accordingly, the franchise fee associated with this new franchise of $63,455 will be recognized in the second quarter of 2011. The new franchisee commenced operations in Indianapolis in June 2011.

Dated: June 21, 2011