Table of Contents

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 interim 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 consolidated interim financial report for the three months ended March 31, 2012 and 2011 as well as the audited consolidated financial report for the year ended December 31, 2011 and the accompanying MD&A. Additional information on Redishred, including these documents and the Company's 2011 annual report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 30th, 2012.

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 and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due over the next twelve months, 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 number and size of acquisitions,
   f. the growth of sales achieved in corporate locations,
   g. the level of corporate overhead,
   h. 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) acquisition activity may be impacted by 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) recycling revenues may be impacted by commodity paper prices which will vary with market conditions;

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

(vii) the anticipated corporate results which may be impacted by the ability of the Company to attain the anticipated cost savings and by the performance of the local economies.

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-IFRS Measures

There are measures included in this MD&A that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") 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, licensees and corporately operated locations. The system sales generated by franchisees and licensees 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 store system sales results are indicators of performance of franchisees, licensee locations and corporately operated locations that have been in the system for equivalent periods in 2012 and 2011.

- EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a performance measure used to assess corporate locations' performance.

- Corporate operating income (loss) is the income (loss) generated by corporately operated locations. The operating income (loss) generated is inclusive of depreciation on tangible equipment, primarily trucks and containers; it does not include amortization related to intangibles assets or allocations for corporate overhead. The corporate operating income (loss) also includes the interest related to the Company's line of credit utilized to purchase the corporately operated locations.

- Operating income (loss) is defined as revenues less operating costs, interest expense, depreciation and amortization related to the tangible assets. Depreciation and amortization for intangible assets has not been included in this calculation.

Basis of Presentation

All financial information reported in this MD&A is presented under IFRS as Generally Accepted Accounting Principles ("GAAP"). The Company's presentation currency is the Canadian dollar. The functional currency of the Company's foreign subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which it operates.

Overview of Redishred Capital Corp.

Redishred Capital Corp., based in Mississauga, Ontario, Canada 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) as well as corporate shredding businesses directly. 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. As of March 31, 2012 there were 22 Proshred locations in the United States comprised of 91.8 territories, and one international license to operate in the Middle East[1]. A territory in the United States 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).

During the three months ended March 31, 2012, the Company entered into an agreement with its Chicago South franchisee to expand their Proshred franchise to include the Chicago North territories. The Chicago South franchisee also renewed his Franchise Agreement for an additional five year period. The Chicago North franchise comprises 3.4 territories. The Atlanta, Phoenix and Dallas commenced operations during the three months ended March 31, 2012.

In addition, the Middle East licensee currently has two locations in operation in Doha, Qatar and Dubai, UAE.

On January 1, 2012, the Company purchased the Proshred New York City business from an existing franchisee and is operating the location directly. The Company also operates the Syracuse, Albany, and Milwaukee locations directly.

[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.

The Company's location list is as follows:

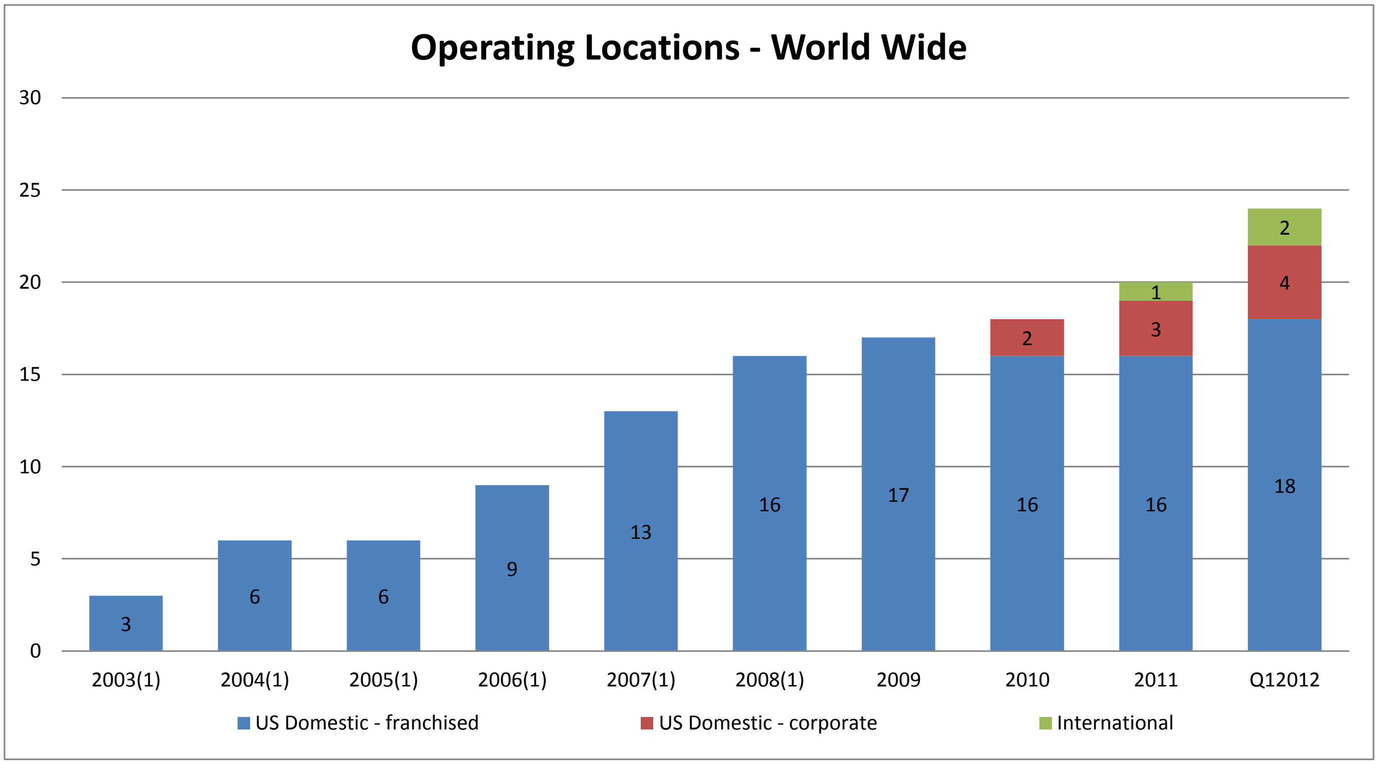
No.	Franchise locations	Operating since	Territories
1.	SPRINGFIELD, MA	June 2003	2.3
2.	TAMPA BAY, FL	March 2004	2.1
3.	DENVER, CO	August 2004	3.8
4.	CHARLOTTE, NC	April 2006	3.3
5.	PHILADELPHIA, PA	September 2006	5.0
6.	KANSAS CITY, MO	December 2006	4.0
7.	NEW HAVEN, CT	April 2007	3.6
8.	SOUTH CHICAGO, IL	April 2007	3.8
9.	RALEIGH, NC	June 2007	4.7
10.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
11.	MIAMI, FL	June 2008	5.7
12.	N. VIRGINIA, VA	July 2008	3.8
13.	ORANGE COUNTY, CA	September 2009	3.0
14.	SAN DIEGO, CA	October 2010	2.9
15.	INDIANAPOLIS, IN	June 2011	2.6
16.	ATLANTA, GA	January 2012	6.3
17.	PHOENIX, AZ	January 2012	4.2
18.	DALLAS, TX	March 2012	6.3
		Franchised territories in operation	*74.1*
No.	**Corporate locations**	**Operating since**	**Territories**
19.	SYRACUSE, NY	March 2004(1)	2.5
20.	ALBANY, NY	April 2003(1)	1.2
21.	MILWAUKEE, WI	August 2003(1)	2.7
22.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008(1)	11.3
		Corporate territories in operation	*17.7*
		Grand Total	***91.8***

No.	Pending franchise locations	Expected Operation	Territories
1.	NORTH CHICAGO, IL	Third Quarter 2012	3.4

No.	International locations	Operating since	Territories
1.	DOHA, QATAR	September 2011	-
2.	DUBAI, UAE	January 2012	-

(1) 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 and New York City has been corporately operated since January 1, 2012.

Worldwide locations



(1) The information prior to the March 17th, 2008 qualifying transaction was obtained from the predecessor Company.

Performance Compared to 2012 Goals and Objectives

In the Company's 2011 Annual Report, management stated its 2012 goals and objectives. A review of the Company's performance in meeting these goals and objectives is included below:

2012 Goals and Objectives	Performance to March 31, 2012	Comments
Grow system sales from existing locations by 10% to $16.4M USD compared to 2011.	During the 1st quarter of 2012, Redishred's: • scheduled system sales grew by 9% over the three months ended March 31, 2011 (same store sales grew by 9%); • unscheduled system sales grew by 23% over the same period in 2011 (same store sales grew by 19%); and • recycling system sales declined by 24% over the quarter ended March 31, 2011 as a result of the drastic paper price decline in the 4th quarter of 2011 (same store sales declined by 25%). Total system sales from all locations grew by 3% over the three months ended March 31, 2011 to a total of $3.6M USD. Same store system sales grew by 2% for the same period.	**The Company experienced growth of 14% in service related system sales in the 1st quarter of 2012 when compared to the same period in 2011. However price of recycled paper products declined significantly versus the same period in 2011, resulting in overall growth of 3%. The Company continues to monitor performance relative to the annual goal.**
Award at least four franchise locations.	On January 31, 2012, Redishred awarded the Chicago North, IL franchise to its Chicago South franchisee.	**Redishred continues to be on target to attain this goal.**
Conduct three acquisitions in 2012.	Redishred acquired the New York City franchise from an existing franchisee in the first quarter of 2012.	**Redishred continues to be on target to attain this goal. The Company continues to monitor the industry for acquisition opportunities.**
Achieve a minimum of $1 million in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee and New York City).	Redishred earned just over $200,000 in EBITDA from its Corporate locations during the three months ended March 31, 2012.	**The Company continues to monitor performance relative to the annual goal.**

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the three months ended March 31, 2012 and 2011.

For the three months ended, *(in CDN except where noted)*	**March 31, 2012** $	March 31, 2011 $	Percentage change %
Franchise sales and revenue data:			
System sales (USD)	**3,653,979**	3,530,693	3%
Total Revenue	**1,101,050**	711,192	55%
Franchise and license fees	**93,487**	-	100%
Royalties and service fees	**201,627**	219,428	(8)%
Franchise related revenue	**295,114**	219,428	34%
Corporate location data:			
Corporate location revenue	**805,936**	491,764	64%
Corporate location operating costs	**(605,545)**	(319,478)	(90)%
Corporate location EBITDA	**200,391**	172,286	16%
Depreciation – tangible assets	**(62,219)**	(29,783)	(109)%
Interest expense	**(138,367)**	(68,795)	(101)%
Operating income (loss) from corporate locations	**(195)**	73,708	(100)%
On-going operating costs	**(387,440)**	(398,554)	3%
One-time costs(1)	**(69,262)**	(44,609)	(55)%
Bad debt expense	**(15,030)**	(14,792)	(2)%
Depreciation and amortization- equipment	**-**	(4,727)	100%
Total operating costs	**(471,732)**	(462,682)	(2)%
Operating loss	**(176,813)**	(167,115)	(4)%
Operating loss – excluding one-time costs	**(107,551)**	(122,505)	14%
Net loss(2)	**(823,470)**	(325,908)	(153)%
Net loss – excluding one-time costs(2)	**(403,508)**	(281,299)	(43)%
Loss per share	**(0.03)**	(0.01)	(153)%

(1) *One-time costs incurred in 2012 are primarily legal fees related to the defence of the current franchisee litigation against the Company. As of January 1, 2012, only two franchisees remained in the litigation.*

(2) *Net loss and net loss – excluding one-time costs includes amortization of intangible assets of $200,911 (March 31, 2010 - $79,830). Net loss – excluding one-time costs excludes $350,700 of the loss on settlement of the pre-existing relationship related to the NYC acquisition and one-time costs related to the franchisee litigation.*

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 four corporate locations in Syracuse, Albany, Milwaukee and New York City. These corporate locations generate shredding service revenue and recycling revenue as well as incur costs related to marketing and servicing of customers. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

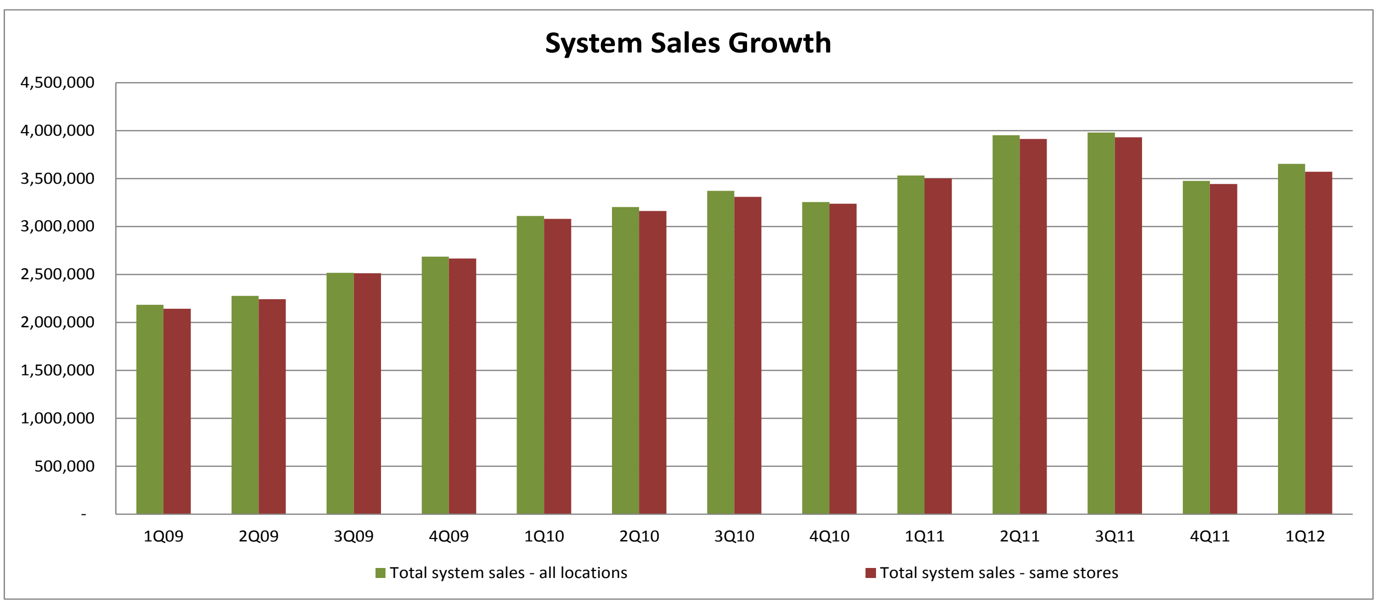
Franchising & Licensing

System Sales

Franchisees, corporate and international 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:

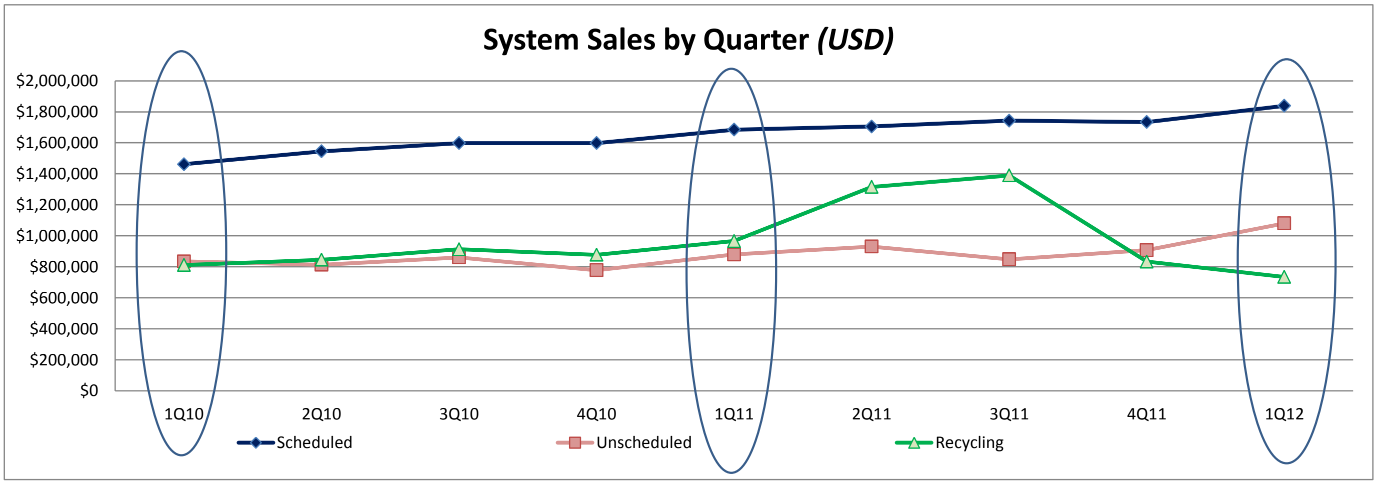
	Three months ended March 31		
	2012	2011	%Ch
Total operating locations at period end	**22**	18	22%
Territories	**91.8**	72.4	27%
Total system sales (USD)	**$ 3,653,979**	$ 3,530,693	3%
Total system sales (CDN)	**$ 3,661,287**	$ 3,481,616	5%

The following chart illustrates system sales growth by quarter since 2009.



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 $2,919,213 for the first quarter of 2012, growing by $355,026 or 14% over the first quarter of 2011.

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. Proshred 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 focus resulted in continued growth in this category in the first quarter of 2012 versus the same quarter in 2011.

	3 months ended March 31		
	2012	2011	%Ch
Scheduled service sales (USD)	**$1,839,056**	$1,684,657	9%
Same store scheduled service sales (USD)	**$1,827,972**	$1,682,090	9%

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. For the three months ended March 31, 2012, unscheduled sales reached a record high, breaking the $1 million mark. Unscheduled sales growth in the first quarter experienced the highest quarterly growth rate over the last two years.

	3 months ended March 31		
	2012	2011	%Ch
Unscheduled service sales (USD)	**$ 1,080,157**	$ 879,530	23%
Same store unscheduled service sales (USD)	**$ 1,028,492**	$ 863,448	19%

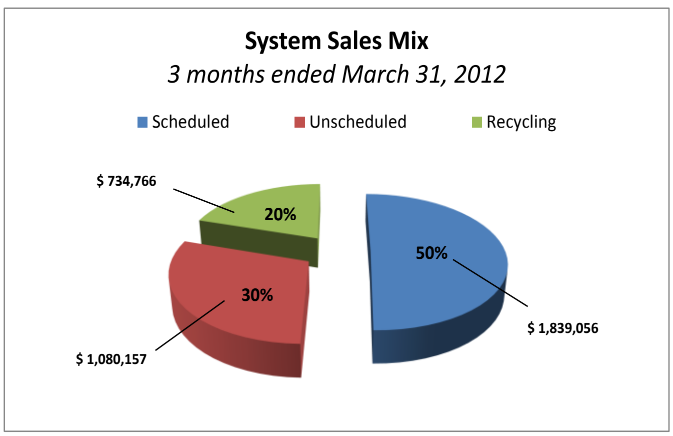
Recycling sales:

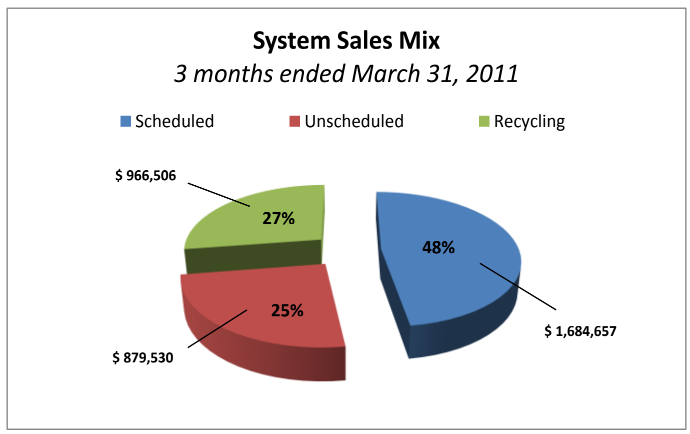
Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by global supply and demand for shredded paper. From the last quarter of 2009 to the third quarter of 2011, prices for recycled paper products increased and grew to near record highs. From the fourth quarter of 2011 to the first quarter of 2012, prices decreased substantially from the prior quarter's record highs.

	3 months ended March 31		
	2012	2011	%Ch
Recycling sales (USD)	**$ 734,766**	$ 966,506	(24)%
Same store recycling sales (USD)	**$ 714,429**	$ 955,074	(25)%

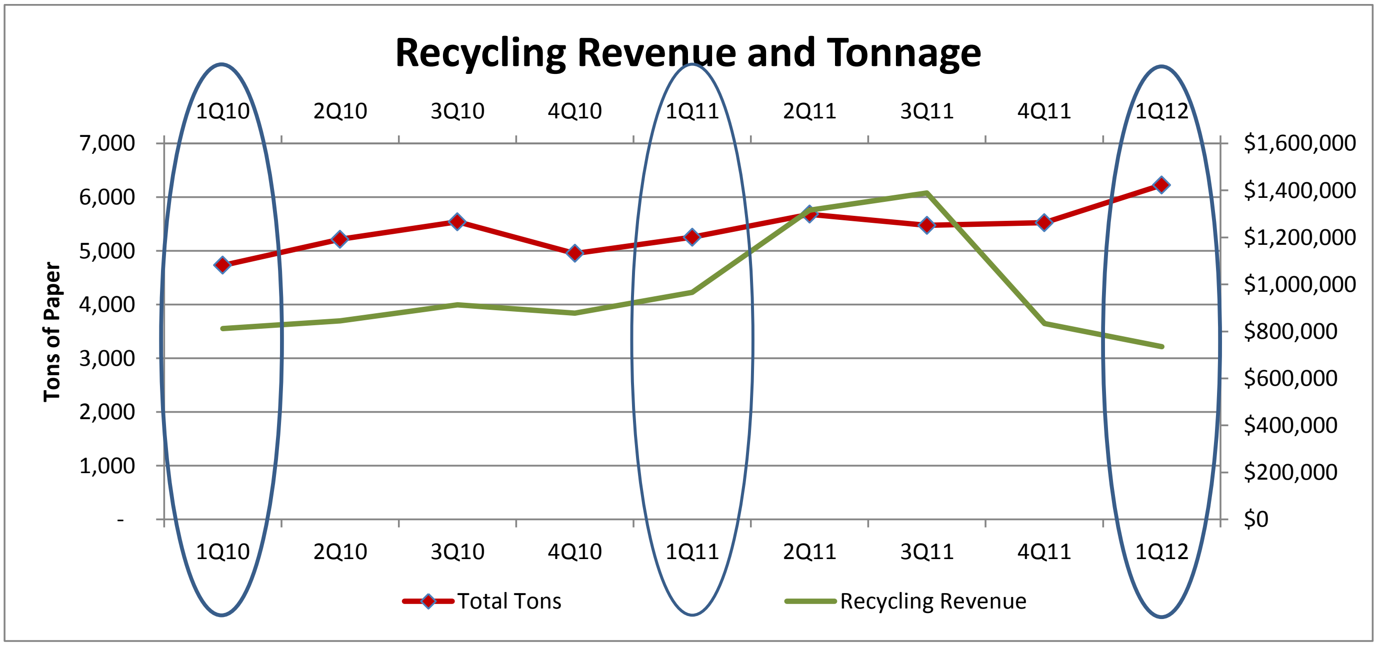
Mix of business:

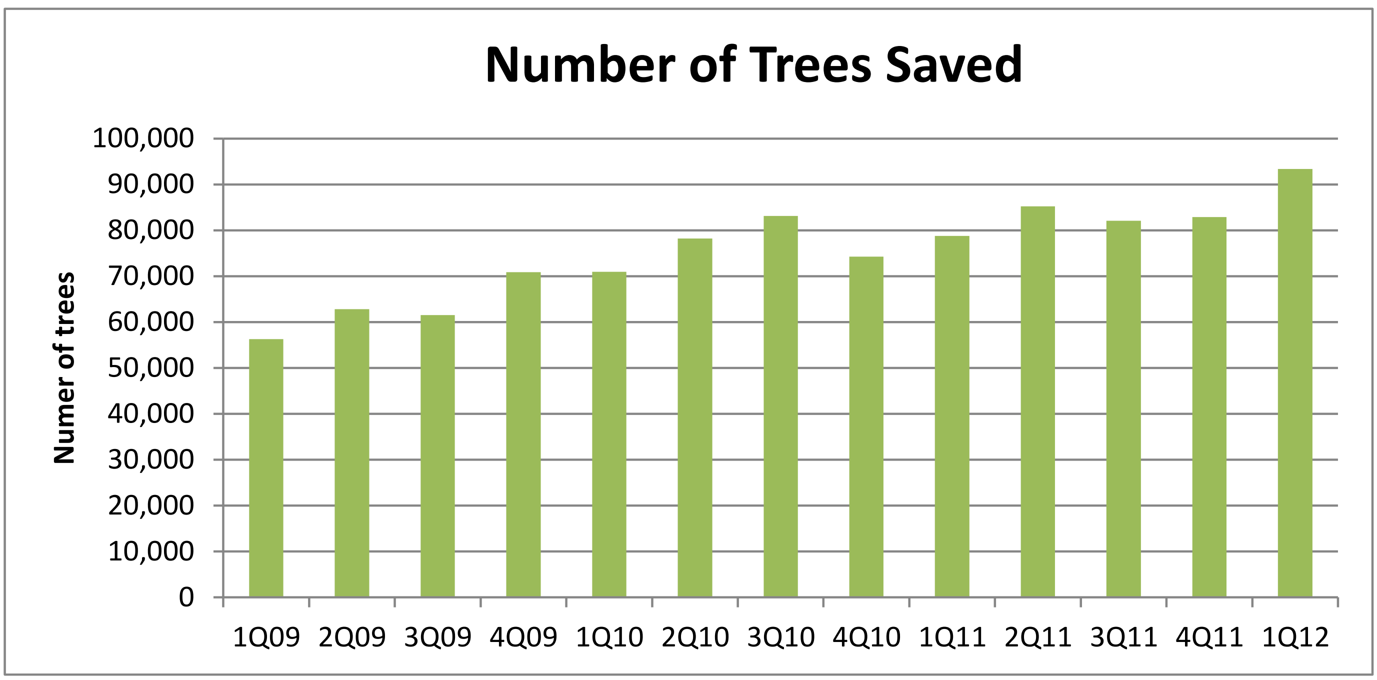
Scheduled sales account for 50% of total sales for the three months ended March 31, 2012 (March 31, 2011 – 48%). Unscheduled sales account for 30% of total sales for the three months ended March 31, 2012 (March 31, 2011 – 25%). Recycling sales account for 20% of total sales for the three months ended March 31, 2012 (March 31, 2011 – 27%).





The system as a whole has continued to shred and recycle increased volumes of paper. During the three months ended March 31, 2012, the system shredded and recycled a record 6,200 (5,250 – March 31, 2011) tonnes of paper an increase of 19% over the first quarter of 2011, which equates to 93,300 (78,800 – March 31, 2011) trees being saved.





Total Revenues

	3 months ended March 31		
	2012	2011	% Ch
	$	$	
Franchise and license fees	**93,487**	-	100%
Royalty and service fees	**201,627**	219,428	(8)%
Total franchise and license related revenue	**295,114**	219,428	34%

During the first quarter of 2012, the Company entered into an agreement with its Chicago South franchisee to expand their "Proshred" shredding franchise to include the Chicago North area, representing 3.4 territories. As a result, the Company earned US$93,300 in franchise fees. 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. Royalty and service fees for the three months ended March 31, 2012 were lower than the first quarter of 2011 due to the conversion of the New York City franchise location to a corporate location.

The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2012, royalty and fee revenues were US$294,525.

Operating Expenses

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Salaries	**210,886**	218,568	4%
General, administrative and marketing – on-going	**176,554**	179,986	2%
General, administrative and marketing – one-time costs	**69,262**	44,609	(55)%
Bad debt expense	**15,030**	14,792	(2)%
Depreciation and amortization - equipment	–	4,727	100%
Total operating expenses	**471,732**	462,682	(2)%

Operating expenses for the three months ended March 31, 2012 include expenses to support 22 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. General, administration and marketing costs have increased over 2011 due to legal costs associated with the defence of the current litigation against the Company.

Depreciation and Amortization

Depreciation and amortization relate to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008. For the three months ended March 31, 2012, depreciation and amortization of intangibles related to the franchise and license operations increased over the prior periods due to the reversal of a portion of impairment at December 31, 2011. An impairment loss was recorded at January 1, 2010 with the adoption of IFRS.

Depreciation and amortization are as follows:

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Depreciation and amortization – equipment	**-**	4,727	100%
Depreciation and amortization – intangibles	**118,985**	40,300	(195)%
Depreciation and amortization	**118,985**	45,027	(164)%

Corporate Operations

The Company operates four shredding operations in Syracuse, Albany, Milwaukee, and New York City. These locations represent the Company's corporately owned and operated locations.

	3 months ended March 31			
	2012 **$**	% of revenue	2011[1] $	% of revenue
Revenue:				
Shredding service	**641,168**	80%	362,323	74%
Recycling	**164,768**	20%	129,441	26%
Total revenue	**805,936**	100%	491,764	100%
Operating costs	**605,545**	75%	319,478	65%
EBITDA	**200,391**	25%	172,286	35%
Depreciation – tangible assets	**62,219**	8%	29,783	6%
Interest expense	**138,367**	17%	68,795	14%
Corporate operating income	**(195)**	0%	73,708	15%

[1] The results for the three months ended March 31, 2011 include the corporate operations of Syracuse, Albany and Milwaukee.

Shredding service and recycling revenue is generated by our corporate locations in Albany, Syracuse, Milwaukee and New York City. Total shredding related revenue for the three months ended March 31, 2012 increased substantially over the first quarter of 2011 due to the acquisition of the New York City franchise on January 1, 2012. The New York City results are included in the first quarter of 2012. 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, 2012, shredding service and recycling revenues, denominated in US dollars were US$804,327.

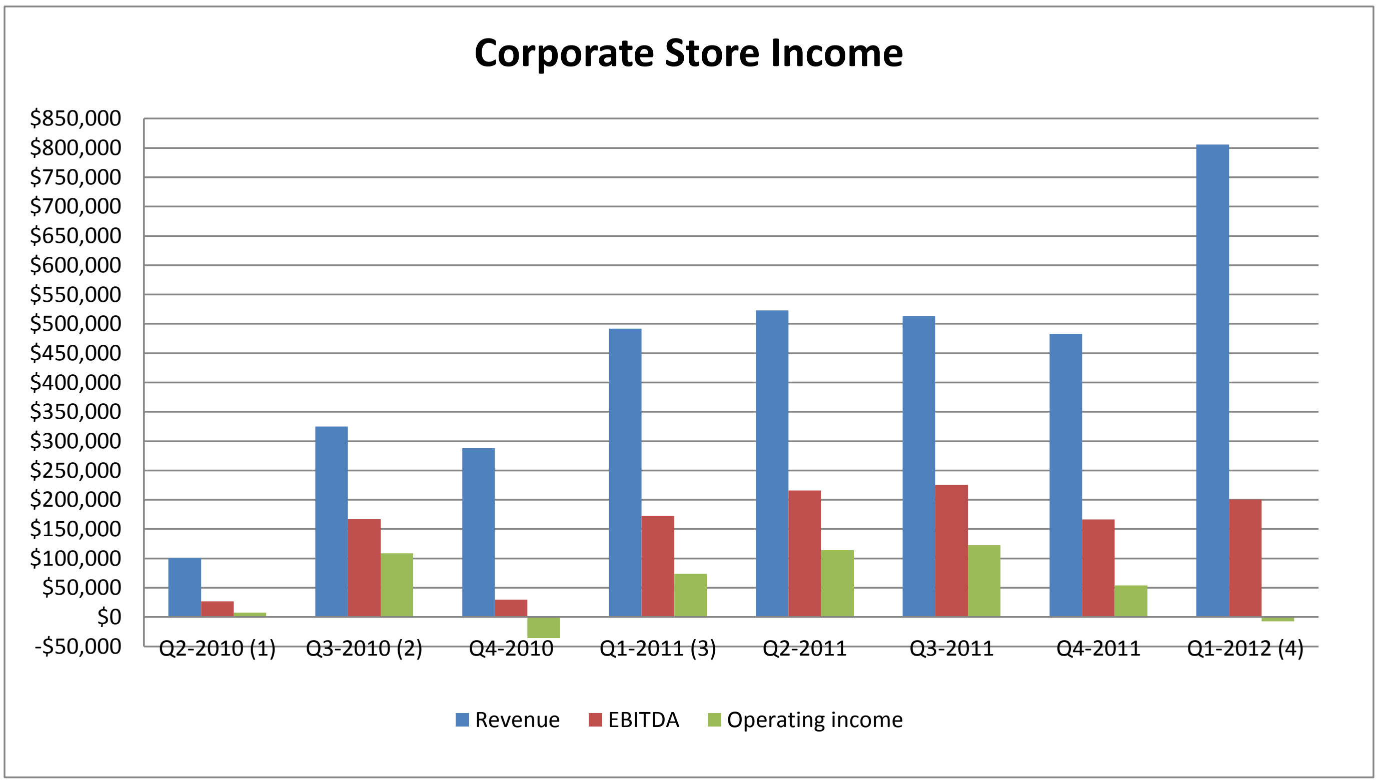
Depreciation and Amortization

Depreciation and amortization relates to the assets purchased in relation to the Syracuse, Albany, Milwaukee and New York City corporate locations. For the three months ended March 31, 2012, depreciation and amortization increased significantly as a result of the acquisition of the New York City location on January 1, 2012.

Depreciation and amortization are as follows:

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Depreciation and amortization – equipment	**62,219**	29,783	(109)%
Depreciation and amortization – intangibles	**81,926**	39,530	(107)%
Depreciation and amortization	**144,145**	69,313	(108)%

The following chart illustrates the last 8 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 commenced on July 1, 2010.
(3) Milwaukee, WI was purchased on December 31, 2010, operations commenced on January 1, 2011.
(4) New York City, NY was purchased on January 1, 2012.

Operating loss

The Company posted an operating loss of $176,813 for the three months ended March 31, 2012. Immediately after the purchase of the New York City business, the Company commenced a review of the New York City operations and then implemented a cost reduction program and a route optimization program with a view towards improved results. The operating loss was also driven by increased professional fees related to the remaining litigation offset by the continued growth of the Company's Syracuse, Albany and Milwaukee locations, which have been accretive to Redishred's cash flows. In addition, the Company generated revenues by awarding the North Chicago, IL franchise.

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Operating loss	**176,813**	167,115	(4)%
Operating loss – excluding one-time costs	**107,551**	122,505	14%

Foreign exchange

Foreign exchange loss was as follows:

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Foreign exchange loss	**108,696**	76,952	41%

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 US 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 as well as interest on the loan agreements, which bears interest at 8.14% per annum. All interest costs have been attributed to the acquisition of corporate locations to date. Interest expense increased in the 1st quarter of 2012 as a result of the use of the line of credit to acquire the New York City business on January 1, 2012.

	3 months ended March 31		
	2012	2011	%Ch
	$	$	
Interest income	**481**	942	(49)%
Interest expense	**(138,367)**	(68,795)	(101)%

Income Tax

On March 17, 2008 the Company booked a future tax liability relating to the purchase of PSC and Proshred Franchising Corp. ("PFC"). During the three months ended March 31, 2012, the Company booked a tax recovery of $18,690. 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		
	2012	2011	%Ch
	$	$	
Net loss	**823,470**	325,908	(153)%
Net loss – excluding one-time costs	**403,508**	281,299	(43)%

The Company posted a net loss of $823,470 for the three months ended March 31, 2012 as a result of increased amortization for intangible assets due to the reversal of a portion of the previous impairment recorded at January 1, 2010; increased amortization on tangible and intangible corporate location assets due to the acquisition of the New York City business and the settlement of the pre-existing relationship as part of the New York City acquisition. In addition, the increase in net loss was attributable to increased professional fees related to the defence of the current litigation against the Company.

Selected Quarterly Results

	2012	2011				2010		
(in CDN except where noted)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
System sales *(USD)*	**3,622,856**	**3,474,657**	**3,978,639**	**3,951,035**	**3,530,693**	**3,253,687**	**3,371,135**	**3,202,222**
Total Company revenue	**1,101,050**	**1,083,597**	**757,315**	**827,278**	**711,192**	**755,279**	**670,695**	**335,777**
Franchise and license fees	93,487	371,381	-	61,989	-	246,249	109,164	-
Royalty and service fees	201,627	229,033	243,535	242,222	219,428	220,895	236,639	235,092
Total revenue from franchising and licensing	**295,114**	**600,414**	**243,535**	**304,211**	**219,428**	**467,144**	**345,803**	**235,092**
On-going operating costs	(402,470)	(495,516)	(409,908)	(391,075)	(415,641)	(432,367)	(415,894)	(412,077)
One-time costs	(69,262)	(151,525)	(315,541)	(87,680)	(44,609)	-	-	-
Broker fees	-	(98,197)	-	(23,406)	-	-	(25,675)	-
Total operating expenses	(471,732)	(745,237)	(725,449)	(502,161)	(460,250)	(432,367)	(441,569)	(412,077)
Total operating income (loss) – franchising and licensing	**(176,618)**	**(144,823)**	**(481,914)**	**(197,950)**	**(240,822)**	**34,777**	**(95,766)**	**(176,985)**
Corporate locations revenue	805,936	483,183	513,780	523,068	491,764	288,135	324,892	100,685
Corporate locations operating costs	(605,545)	(316,772)	(288,551)	(305,340)	(319,478)	(231,462)	(185,977)	(74,012)
Corporate locations EBITDA	**200,391**	**166,411**	**225,229**	**217,728**	**172,286**	**56,673**	**138,915**	**26,673**
Depreciation – tangible assets	(62,219)	(34,271)	(32,507)	(33,975)	(29,783)	(34,246)	(27,432)	(9,666)
Interest expense	(138,367)	(78,240)	(70,322)	(69,559)	(68,795)	(32,523)	(31,361)	(9,198)
Total operating income (loss) - corporate	**(195)**	**53,900**	**122,400**	**114,194**	**73,708**	**(10,096)**	**80,122**	**7,809**
Total operating income (loss) – excluding one-time costs - Company	**(107,551)**	**60,602**	**(43,973)**	**3,925**	**(122,505)**	**24,681**	**(15,644)**	**(169,176)**
Income (loss) before taxes	(842,160)	324,925	(312,605)	(245,583)	(330,908)	196,369[(1)]	(81,362)	(222,006)
Profit (loss) attributable to owners of the parent	(823,470)	423,409	(309,946)	(244,583)	(325,908)	213,022[(1)]	(60,006)	(216,006)
Profit (loss) excluding one-time costs	(403,508)	574,933	5,595	(156,903)	(281,299)	213,022[(1)]	(60,006)	(216,006)
Basic and diluted net income (loss) per share	(.03)	.01	(.01)	(.01)	(.01)	.01[(1)]	(.00)	(.01)

(1) The Company restated the 2010 net loss and loss per share as the Company reversed a portion of impairment at December 31, 2010. The impairment originally recorded at the January 1, 2010 opening balance sheet. Further information can be found in Redishred's 2011 Annual Report under "Impact of adoption of IFRS."

Selected Quarterly Results (continued)

System sales, specifically scheduled and unscheduled sales, continue to grow each quarter, driven by the Company's sales and marketing programs that are aimed at educating clients on the legislative requirements to destroy confidential information using a secure on-site solution. As shredding customers are serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. Therefore, the Company experiences higher system sales and related royalty fees and corporate revenues in the 2nd and 3rd quarters of every year and lower system sales and related royalty fees and corporate revenues in the 1st and 4th quarters of every year. During 2010 and 2011, paper prices increased substantially to record highs resulting in higher recycling sales. From the fourth quarter of 2011 to the first quarter of 2012, prices decreased substantially from the prior quarter's record highs resulting in lower recycling sales.

Royalty fees in the 1st quarter of 2012 decreased over the prior quarters as a result of the conversion of the New York City franchise location to a corporate location. This has been offset by the franchise fee earned related to awarding the North Chicago franchise. The lower royalty fees in the 4th quarters of 2011 and 2010 were driven by the conversion of three franchise locations to corporate locations, partially offset by the increase in system sales and franchise fees earned related to awarding new franchisees or licensees.

The Company continues to closely monitor and control on-going operating costs related to franchising and licensing. During the 4th quarter of 2011, on-going operating costs related to franchising and licensing include bad debt expense of $59,341 related to one franchisee.

Balance Sheet

	March 31, 2012	December 31, 2011
Working capital	**$ 355,731**	$ 2,982,233
Total assets	**8,346,540**	9,006,024
Total liabilities	**6,895,554**	6,726,456

The Company entered into a line of credit facility 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. On October 31, 2011, the line of credit was increased to $5.37 million; all other terms of the agreement remained unchanged. During December 2011, the Company drew from its line of credit in order to finance the purchase of the New York City business on January 1, 2012. In March 2012, the line of credit limit was increased by $0.63 million to $6.0 million, repayable on November 27, 2014; all other terms of the agreement remained unchanged.

On November 11, 2011, the Company entered into a loan and security agreement in the amount of $240,000 denominated in US dollars, repayable on a monthly basis until October 3, 2015. The loan bears interest at 8.14% per annum and is secured by two shredding vehicles.

The Company issued no dividends during the year.

Financial Condition, Capital Resources and Liquidity

As of March 31, 2012, the Company has working capital of $355,731 (December 31, 2011 - $2,982,233). The Company also has access to a $6 million line of credit, of which $5.37 million has been drawn as of March 31, 2012. $2.5 million of the cash was used to purchase the New York City business from a current franchisee on January 1, 2012.

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. On October 31, 2011, the Company's line of credit was increased to $5.37 million and the funds were used to acquire the New York City franchise on January 1, 2012. During March 2012, the line of credit was increased by $0.63 million to $6.0 million. The line of credit is repayable on November 27, 2014 with interest payments due semi-annually, all other terms of the agreement remained unchanged. The accounts payable, accrued liabilities and current portions of the notes payable and long-term debt of $819,353 at March 31, 2012 (December 31, 2011 - $771,541) 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 one acquisition and to award between two and four new franchise locations over the next 12 months in order to achieve a breakeven level of cash-flows. 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.

The Company has the following lease commitments:

	$
Less than 1 year	477,404
Between 1 and 5 years	95,943
More than 5 years	–
Total	573,347

Capital Assets

As at,	**March 31, 2012**	December 31, 2011	% Ch
	$	$	
Net book value	**1,146,431**	565,294	103%

Capital assets (not including intangible assets) increased to $1,146,431 as a result of the acquisition of the New York City business on January 1, 2012 partially offset by additional depreciation expense. The Company acquired shredding vehicles, recycling equipment, computer equipment, furniture and shredding containers as part of the New York City acquisition.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Transactions with Related Parties

A Director of the Company is the owner of the Tampa, Florida Proshred franchise. At March 31, 2012, there is a nil balance included in trade receivables due from the Director's franchise (December 31, 2011 - $1,592). During the three months ended March 31, 2012, the Company earned royalty and service fee amounts of $19,312 (December 31, 2011 - $22,254) from the Director's franchise.

Included in selling, general and administrative expenses for the three months ended March 31, 2012 are insurance premium amounts of $6,650 (December 31, 2010 - $6,450) paid to an insurance brokerage firm owned by a Director of the Company.

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

Risks and Uncertainties

Please refer to the Redishred 2011 Annual Report for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2011, 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. The significant areas of judgements, estimates and assumptions are set out in Note 4 of the consolidated financial statements found in Redishred's 2011 Annual Report. The most significant estimates relate to the impairment and reversals of impairment of tangible and intangible assets. During the most recent interim period, there have been no changes in the Company's accounting policies or procedures and other processes that have materially affected, or are reasonably likely to materially affect, the Company's accounting judgements, estimates and assumptions.

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, 2012, there were 28,884,658 issued and outstanding common shares. As at March 31, 2012 there were 1,682,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. There have been 5,000 options granted during the three months ended March 31, 2012 (December 31, 2011 – 150,000). As of May 30, 2012 there are 28,884,658 issued and outstanding common shares, 1,682,500 options to acquire common shares and 4,000,000 warrants to acquire common share.

Disclosure controls and procedures and internal controls

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company's Disclosure Controls and Procedures and Internal Controls will prevent or detect all errors and all fraud. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. During the three months ended March 31, 2012, there have been no changes in the Company's policies and procedures and other processes that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Contingencies

On June 18, 2010, three franchisees filed a complaint with the United States District Court, South 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 PFC, (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. The franchisees are located in Florida, North Carolina and Wisconsin. On July 13, 2010, one additional franchisee located in New York City joined the aforementioned complaint. On December 31, 2010, in conjunction with the purchase of the Proshred Wisconsin business by the Company, the Wisconsin franchisee permanently withdrew from the legal complaint. Subsequent to year-end, on January 1, 2012, in conjunction with the purchase of the Proshred New York City business by the Company, the New York City franchisee permanently withdrew from the legal complaint. As of May 30, 2012, two franchisees remain in 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 any negligent misrepresentations 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 these consolidated financial statements relating to this claim.

Dated: May 30, 2012