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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 and nine months ended September 30, 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 November 28th, 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 both in the United States and Internationally;

(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, royalty fees and corporate operational 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 September 30, 2012, there were 23 operating Proshred locations in the United States comprised of 95.2 territories. 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).

On August 20, 2012, the Company announced the addition of the Houston, TX franchise to the system, which comprises 5.7 territories. The new franchisee commenced operations in November 2012. The Chicago North franchisee, which entered into an agreement with the Company during the first quarter of 2012, commenced operations in September 2012. Subsequent to the third quarter of 2012, the Company awarded the Richmond, Virginia franchise on October 24, 2012. The Richmond, VA franchisee is expected to commence operations in the first quarter of 2013.

On July 13, 2012, the Company purchased the Proshred Miami franchise from an existing franchisee. The Miami business is currently operated by one of the Company's franchise locations. Refer to 'Transactions with Related Parties.' The Company operates the Syracuse, Albany, Milwaukee and New York City locations directly.

As of September 30, 2012, the Company also has one international license to operate in the Middle East[1]. There were 3 Proshred locations in the Middle East in operation, including Doha, Qatar, Dubai, UAE and Abu Dhabi, UAE.

[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	June2007	4.7
10.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
11.	N. VIRGINIA, VA	July 2008	3.8
12.	ORANGE COUNTY, CA	September 2009	3.0
13.	SAN DIEGO, CA	October 2010	2.9
14.	INDIANAPOLIS, IN	June 2011	2.6
15.	ATLANTA, GA	January 2012	6.3
16.	PHOENIX, AZ	January 2012	4.2
17.	DALLAS, TX	March 2012	6.3
18.	NORTH CHICAGO, IL	September 2012	3.4
		Franchised territories in operation	*71.8*

No.	Corporate locations	Operating since	Territories
20.	SYRACUSE, NY	March 2004(1)	2.5
21.	ALBANY, NY	April 2003(1)	1.2
22.	MILWAUKEE, WI	August 2003(1)	2.7
23.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008(1)	11.3
24.	MIAMI, FL	June 2008(1)	5.7
		Corporate territories in operation	*23.4*
		Grand Total	***95.2***

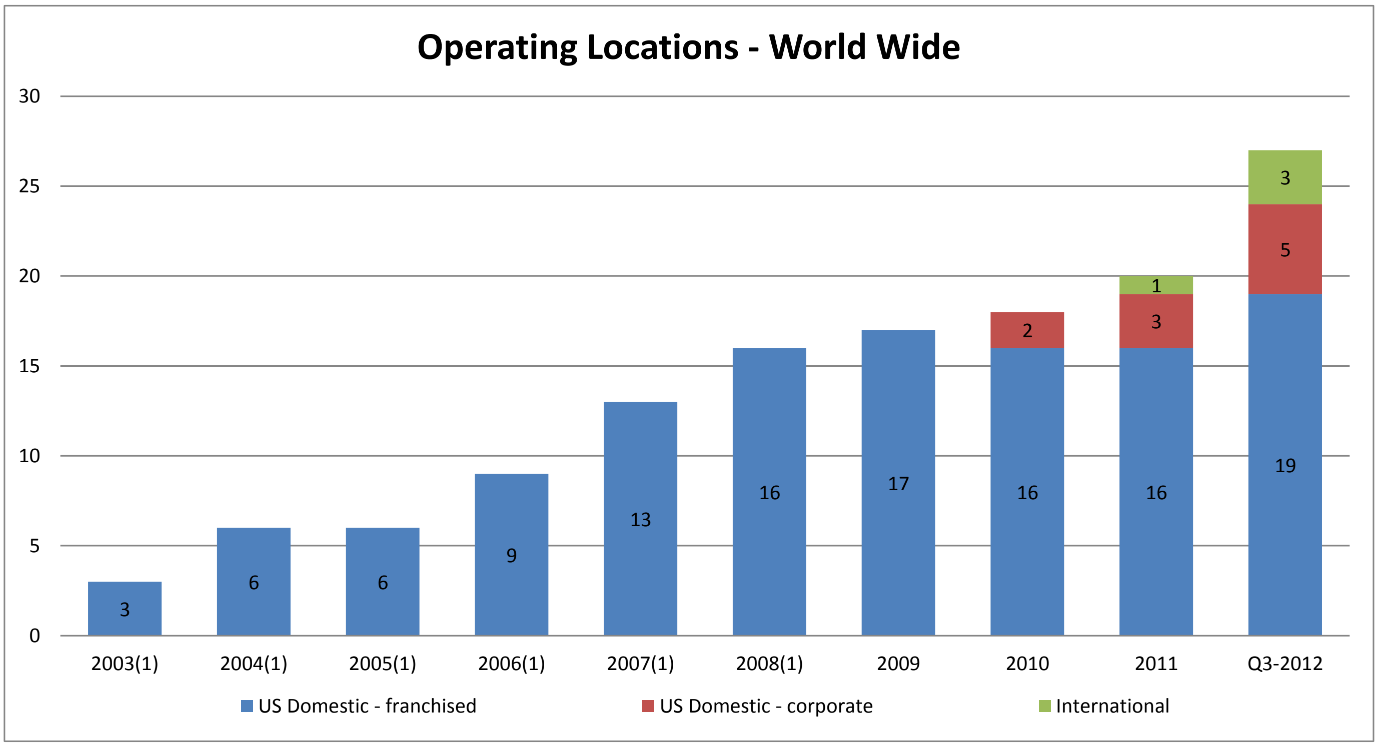
No.	Pending franchise locations	Expected Operation	Territories
1.	HOUSTON, TX	Opened November 2012	5.7
2.	RICHMOND, VA	First Quarter, 2013	3.2

(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. The Miami, FL business is operated by the Company's franchise location in Tampa Bay, FL.

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

No.	Pending International locations	Expected Operation	Territories
1.	RIYADH, SAUDI ARABIA	First Quarter, 2013	-
2.	JEDDAH, SAUDI ARABIA	First Quarter, 2013	-

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 September 30, 2012	Comments
Grow system sales from existing locations by 10% to $16.4M USD compared to 2011.	During the 3rd quarter of 2012, Redishred's: • scheduled system sales grew by 9% over the three months ended September 30, 2011 (same store sales grew by 7%); • unscheduled system sales grew by 21% over the same period in 2011 (same store sales grew by 17%); and • recycling system sales declined by 41% over the quarter ended September 30, 2011 as a result of the drastic paper price decline in the 4th quarter of 2011 (same store sales declined by 42%). During the nine months ended September 30, 2012, Redishred's: • scheduled system sales grew by 9% over the same period in 2011 (same store sales grew by 8%); • unscheduled system sales grew by 21% over the same period in 2011 (same store sales grew by 16%); • recycling system sales declined by 36% over the nine months ended September 30, 2011 (same store sales declined by 38%).	**The Company experienced growth of 13% in service related system sales in the 3rd quarter of 2012 when compared to the same period in 2011 and for the nine months ended September 30, 2012, in comparison to the same period in 2011.** **The price of recycled paper products declined significantly versus the same periods in 2011, resulting in an overall decline in system sales of 6% in the 3rd quarter of 2012 over the 3rd quarter of 2011 and an overall decline in system sales of 3% during the nine months ended September 30, 2012 in comparison to the same period in 2011.** **The paper market continues to remain significantly lower than 2011. The Company has revised its targeted system sales to be $14.6M USD from existing locations.**
Award at least four franchise locations.	On January 31, 2012, Redishred awarded the Chicago North, IL franchise to its Chicago South franchisee. On August 13, 2012, Redishred awarded the Houston, TX franchise. Subsequent to the 3rd quarter, the Company awarded the Richmond, Virginia franchise on October 24, 2012.	**The Company has revised its target to three franchise locations.**
Conduct three acquisitions in 2012.	Redishred acquired the New York City franchise from an existing franchisee in the first quarter of 2012. On July 13, 2012, Redishred acquired the Miami franchise from an existing franchisee.	**The Company continues to monitor the industry for acquisition opportunities.** **The Company has revised its targeted acquisition count to two.**
Achieve a minimum of $1 million in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee and New York City).	Redishred earned $474,348 in EBITDA from its Corporate locations during the nine months ended September 30, 2012.	**The Company has revised its target primarily due to continued weakness in the paper markets. The revised target is $600,000 in EBITDA for 2012.**

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the 3 and 9 months ended September 30, 2012 and 2011.

	3 months ended September 30			*9 months ended September 30*		
(in CDN except where noted)	**2012**	2011	% Change	**2012**	2011	% Change
	$	$		**$**	$	
Franchise sales and revenue data:						
System sales (USD)	**3,738,939**	3,978,639	(6)%	**11,144,470**	11,462,051	(3)%
Total Revenue	**1,073,287**	757,315	42%	**3,140,168**	2,295,785	37%
Franchise and license fees	**140,033**	-	-%	**233,883**	62,015	277%
Royalties and service fees	**203,609**	243,535	(16)%	**613,157**	705,159	(13)%
Franchise related revenue	**343,642**	243,535	41%	**847,040**	767,174	10%
Corporate location data:						
Corporate location revenue	**729,645**	513,780	42%	**2,293,128**	1,528,612	50%
Corporate location operating costs	**(611,075)**	(288,551)	(112)%	**(1,818,780)**	(913,370)	(80)%
Corporate location EBITDA	**118,570**	225,229	(47)%	**474,348**	615,242	(23)%
Depreciation – tangible assets	**(67,667)**	(32,507)	(108)%	**(191,968)**	(96,265)	(99)%
Interest expense	**(151,488)**	(70,322)	(115)%	**(430,054)**	(208,675)	(106)%
Operating income (loss) from corporate locations	**(100,585)**	122,400	(182)%	**(147,674)**	310,302	(148)%
On-going operating costs	**(358,368)**	(395,236)	9%	**(1,143,787)**	(1,169,504)	2%
One-time costs(1)	**(62,223)**	(315,541)	80%	**(209,275)**	(447,830)	53%
Broker fees	**(43,950)**	-	-%	**(43,950)**	(23,415)	(88)%
Bad debt expense	**15,038**	(14,672)	202%	**-**	(43,979)	-%
Depreciation and amortization- equipment	**-**	-	-%	**-**	(5,553)	-%
Total operating costs	**(449,503)**	(725,449)	38%	**(1,397,012)**	(1,690,280)	17%
Operating loss	**(206,446)**	(359,514)	42%	**(697,646)**	(612,804)	(14)%
Operating loss – excluding one-time costs	**(144,223)**	(43,973)	(228)%	**(488,370)**	(164,974)	(196)%
Net loss(2)	**(591,396)**	(309,946)	(91)%	**(1,833,249)**	(880,435)	(108)%
Net loss – excluding one-time costs(2)	**(561,643)**	5,595	(10137)%	**(1,304,379)**	(564,894)	(131)%
Loss per share	**(0.02)**	(0.01)	(91)%	**(0.06)**	(0.03)	(108)%

(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 September 30, 2012, only one franchise remained in the litigation.

(2) For the nine months ending September 30, 2012, net loss and net loss – excluding one-time costs includes amortization of intangible assets of $608,862 (September 30, 2011 - $197,665). Net loss – excluding one-time costs excludes $487,175 of the loss on settlement of the pre-existing relationship related to the NYC and Miami acquisition, one-time costs related to the franchisee litigation and the recovery of bad debt related to the Miami acquisition.

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.

The Company posted a net loss of $1,833,249 for the nine months ended September 30, 2012. The net loss was driven by 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; the settlement of the pre-existing relationships as part of the New York City and Miami acquisitions and unrealized foreign exchange loss with the appreciation of the Canadian dollar. These factors resulted in $1,134,721 of the total net loss or 62% of total net loss. In addition, during the nine months ended September 30, 2012 the Company incurred $154,900 (for the nine months ended September 30, 2011 - $419,748) in one-time legal costs associated with the defence of the past and current litigation. On July 13, 2012, in conjunction with the purchase of the Proshred Miami business, the Miami franchisee permanently withdrew from the legal complaint. As of November 28, 2012, one franchisee remains in the litigation.

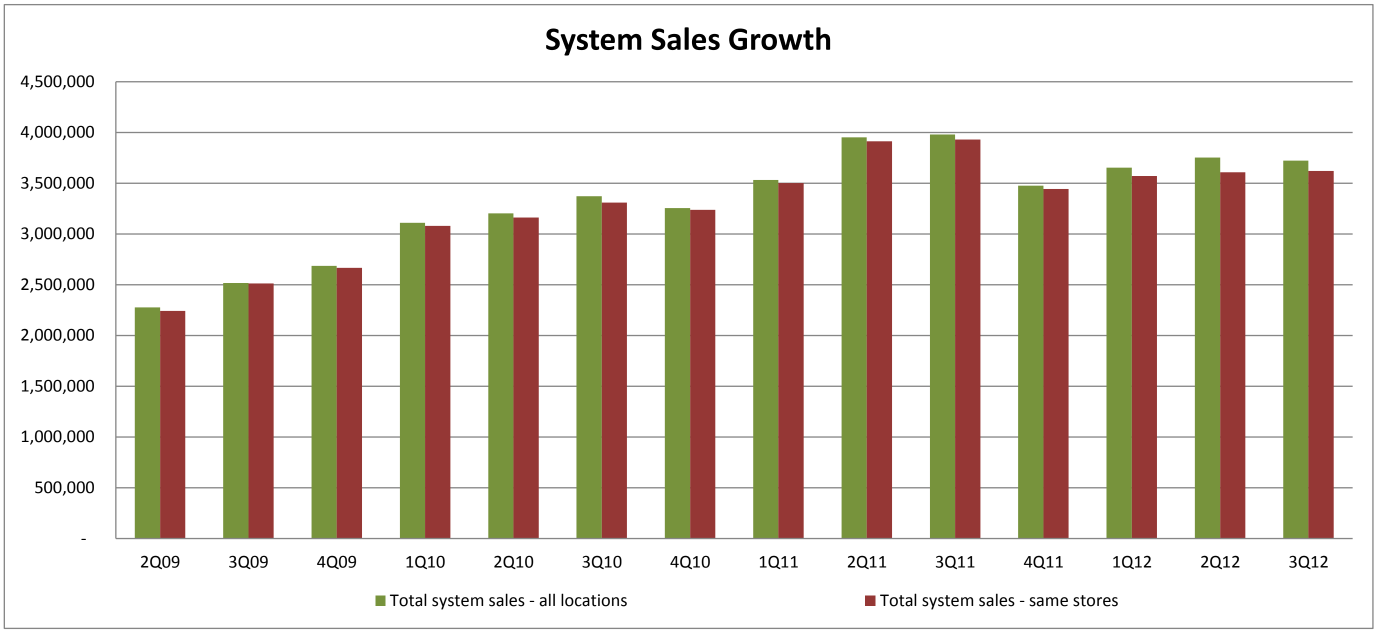
Franchising & Licensing

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:

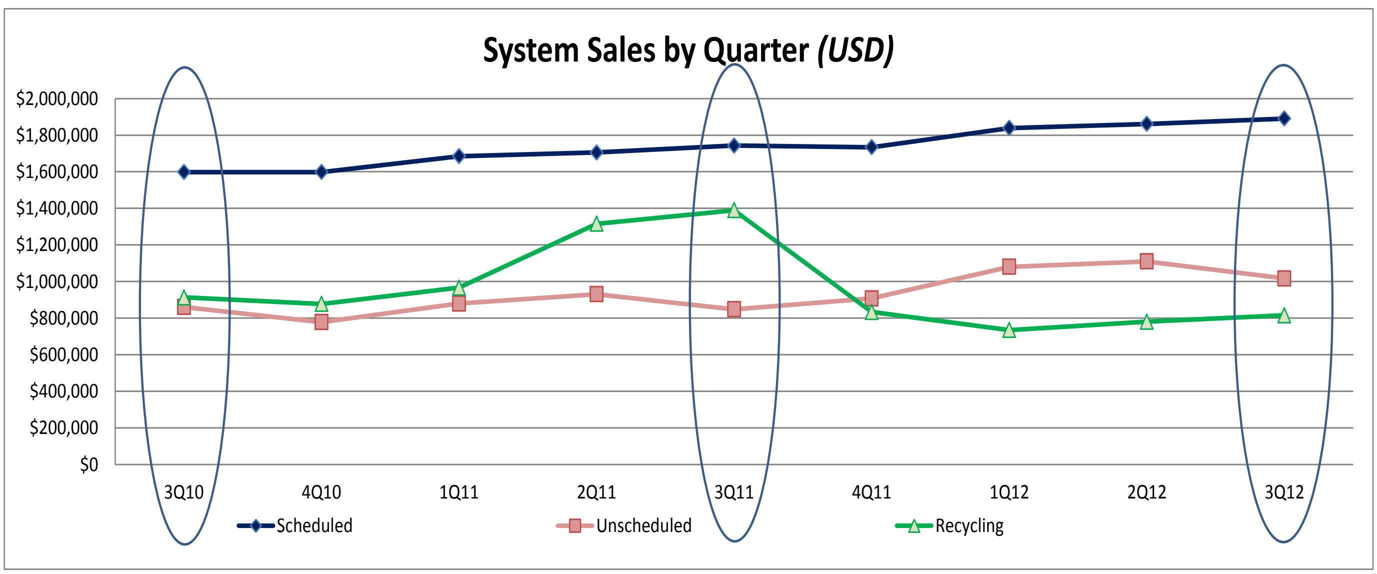
	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
Total operating locations at period end; US and International	**26**	19	32%	**26**	19	32%
Territories	**95.2**	75	27%	**95.2**	75	27%
Total system sales (USD)	**$ 3,738,939**	$ 3,978,639	(6)%	**$ 11,144,470**	$ 11,460,367	(3)%
Total system sales (CDN)	**$ 3,748,286**	$ 3,888,324	(4)%	**$ 11,232,780**	$ 11,200,217	0%

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 US$2,921,403 for the third quarter of 2012, growing by US$332,296 or 13% over the third quarter of 2011. For the nine months ended September 30, 2012, service related system sales were US$8,811,749, growing by US$1,022,654 or 13% over the same period in 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 third quarter of 2012 versus the same quarter in 2011. For the three months ended September 30, 2012, scheduled sales reached a record high of $1,895,112.

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Scheduled service sales (USD)	**1,895,112**	1,741,144	9%	**5,595,778**	5,131,170	9%
Same store scheduled service sales (USD)	**1,862,542**	1,737,285	7%	**5,529,258**	5,120,283	8%

Unscheduled sales:

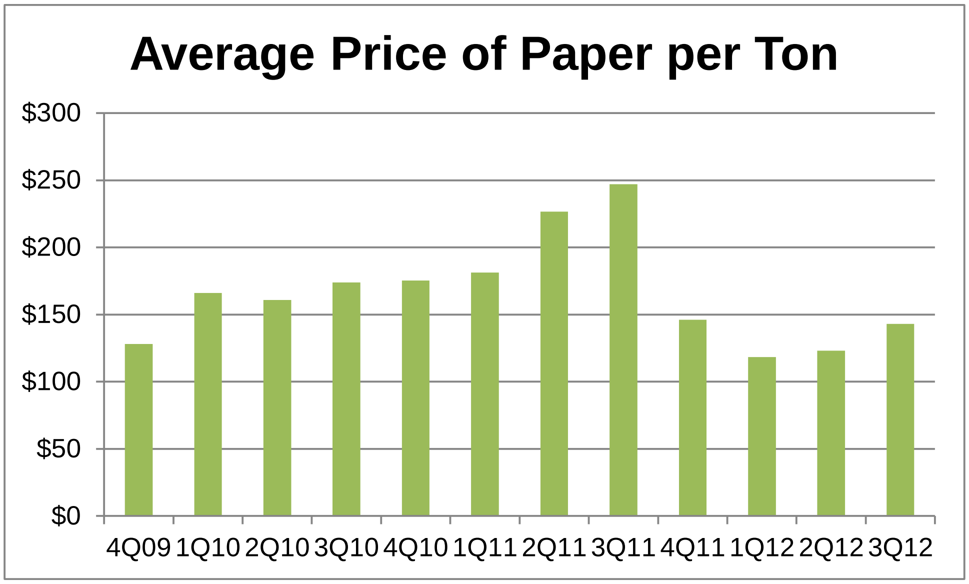
Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. For the nine months ended September 30, 2012, unscheduled sales reached a high of $3,215,972, growing 21% over the same period in 2011.

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	% Ch
	$	$		**$**	$	
Unscheduled service sales (USD)	**1,026,291**	847,963	21%	**3,215,972**	2,657,925	21%
Same store unscheduled service sales (USD)	**971,516**	829,426	17%	**3,026,541**	2,604,428	16%

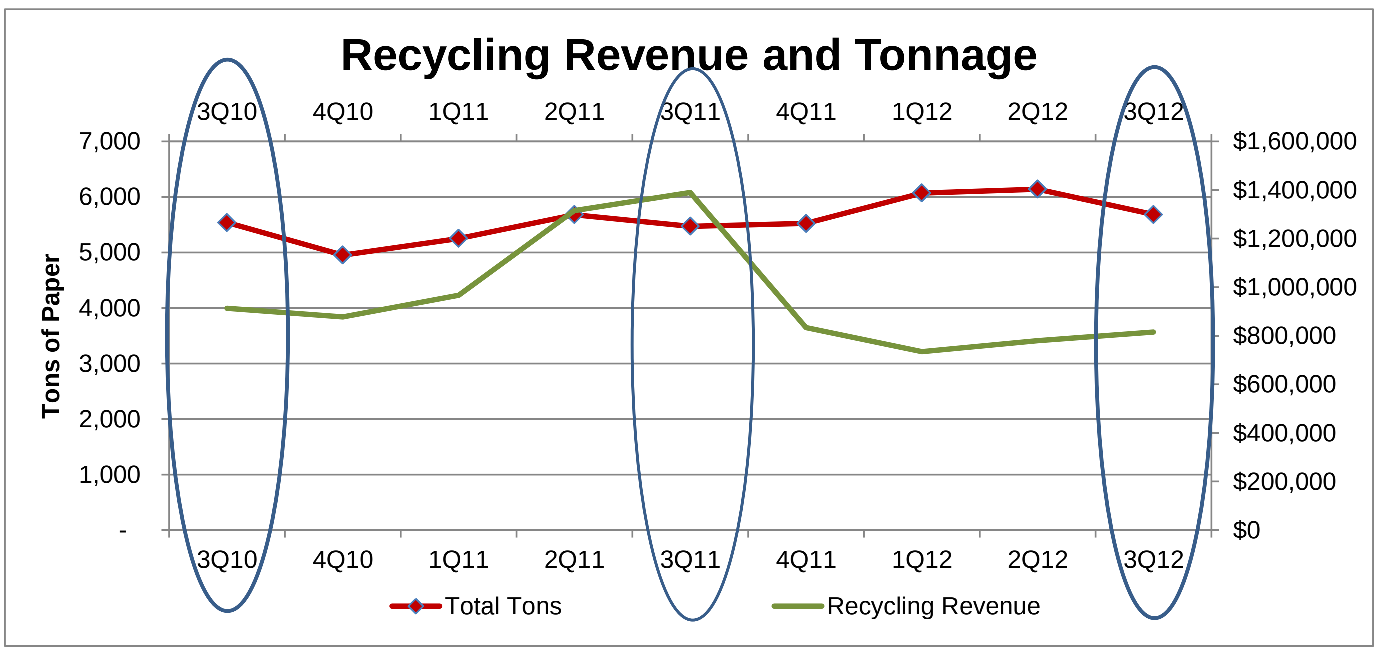
Recycling sales:

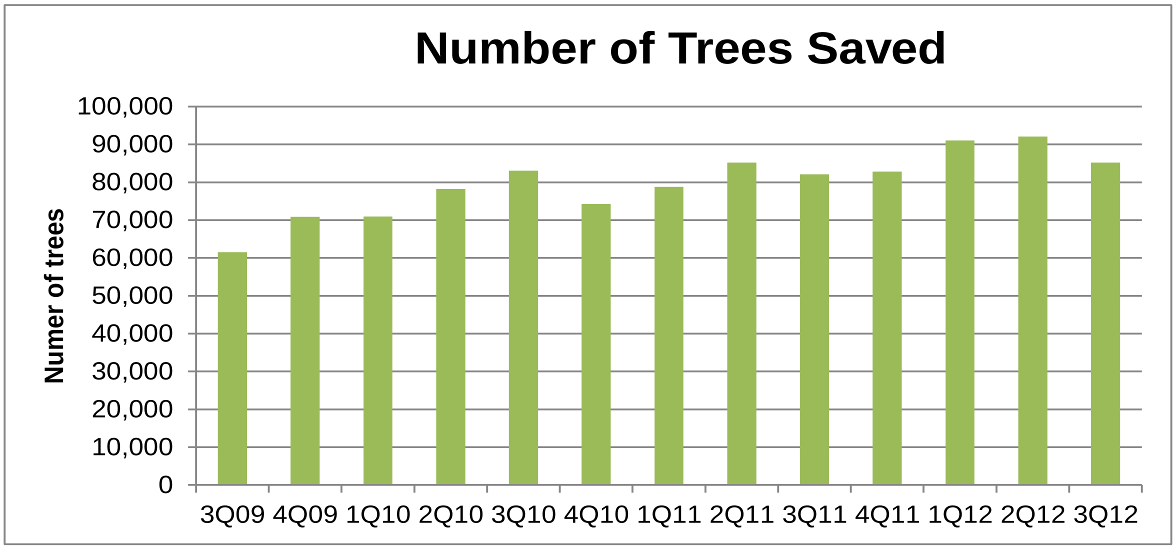
Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper and the volume of paper recycled which is measured in tonnes. From the last quarter of 2009 to the third quarter of 2011, the price of recycled paper products increased and grew to near record highs of $247 per ton, on average, in the Proshred system. From the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52% to an average low of $118 per ton, in the Proshred system. During the third quarter of 2012, paper prices increased slightly to an average of $143 per ton in the Proshred system. For the three months ended September 30, 2012, paper prices attained by the system decreased by 42% over the prior year comparative period. For the nine months ended September 30, 2012, paper prices attained by the system have decreased by 41% over the nine months ended September 30, 2011. The decrease in paper prices has been slightly offset by a 4% and 9% increase in tonnage recycled within the system during the three and nine months ended September 30, 2012, respectively.

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Recycling sales (USD)	**817,536**	1,389,532	(41)%	**2,332,721**	3,671,272	(37)%
Same store recycling sales (USD)	**787,384**	1,364,818	(42)%	**2,243,860**	3,620,720	(38)%



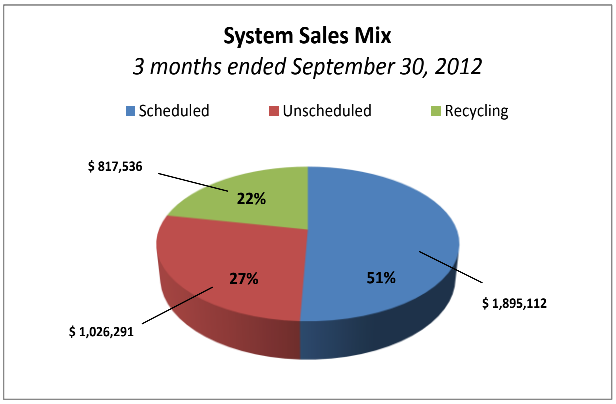
The system as a whole has continued to shred and recycle increased volumes of paper. During the nine months ended September 30, 2012, the system shredded and recycled 17,900 (16,400 – September 30, 2011) tonnes of paper, an increase of 9% over the first three quarters of 2011, which equates to 268,000 (246,000 – September 30, 2011) trees being saved.

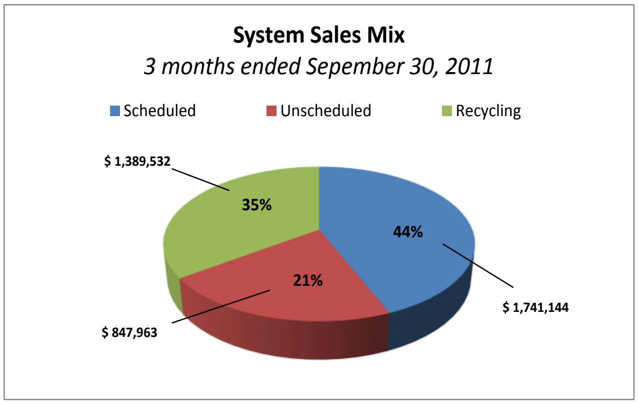




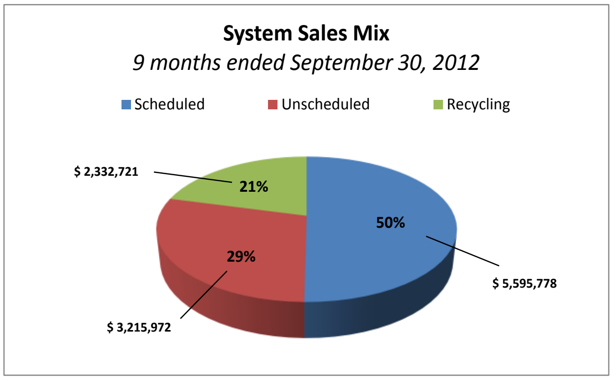
Mix of business:

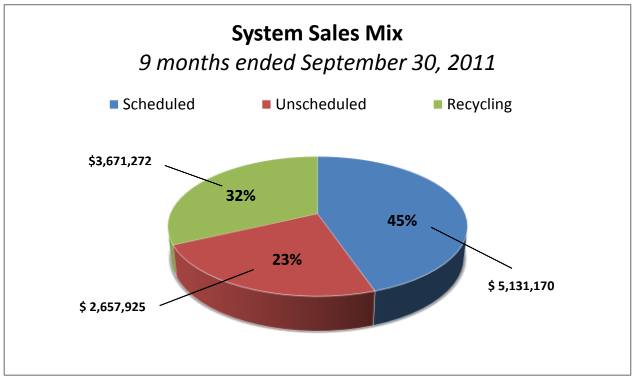
Scheduled sales account for 51% of total sales for the quarter ended September 30, 2012 (September 30, 2011 – 44%). Unscheduled sales account for 27% of total sales for the three months ended September 30, 2012 (September 30, 2011 – 21%). Recycling sales account for 22% of total sales for the quarter ended September 30, 2012 (September 30, 2011 – 35%).





Scheduled sales account for 50% of total sales for the first three quarters of 2012 (September 30, 2011 – 45%). Unscheduled sales account for 29% of total sales for the nine months ended September 30, 2012 (September 30, 2011 – 23%). Recycling sales account for 21% of total sales for the first three quarters of 2012 (September 30, 2011 – 32%).





Total Revenues

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	% Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Franchise and license fees	**140,033**	-	-%	**233,883**	62,015	277%
Royalty and service fees	**203,609**	243,535	(16)%	**613,157**	705,159	(13)%
Total franchise and license related revenue	**343,642**	243,535	41%	**847,040**	767,174	10%

During the third quarter of 2012, the Company entered into an agreement with a new franchisee to operate a "Proshred" shredding franchise in the Houston, Texas market. As a result, the Company earned US$140,000 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 and training is completed. Royalty and service fees for the three months ended September 30, 2012 were lower than the third quarter of 2011 due to the conversion of the New York City franchise location to a corporate location as well as the 41% decline in paper prices which resulted in lower system sales.

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 September 30, 2012, royalty and fee revenues were US$348,942. For the nine months ended September 30, 2012, royalty and fee revenues were US$849,388.

Same Store Royalty fees

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	% Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Royalty and service fees	**198,407**	218,624	(9)%	**600,031**	627,003	(4)%

Same store royalty fees indicate royalty revenue from franchises that have been in the system for equivalent periods in 2012 and 2011.

Operating Expenses

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Salaries	**209,598**	200,886	(4)%	**598,296**	629,868	5%
General, administrative and marketing – on-going	**148,888**	194,350	23%	**545,491**	539,636	(1)%
General, administrative and marketing – one-time costs	**62,223**	315,541	80%	**209,275**	447,830	53%
Broker fees	**43,950**	–	-%	**43,950**	23,415	(88)%
Bad debt expense	**(15,038)**	14,672	203%	**–**	43,979	-%
Depreciation and amortization - equipment	**–**	–	-%	**–**	5,553	-%
Total operating expenses	**449,503**	725,449	38%	**1,397,012**	1,690,280	17%

Operating expenses for the three and nine months ended September 30, 2012 include expenses to support 24 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. For the nine months ended September 30, 2012, one-time general, administration and marketing costs of $154,900 relate to the defence of the past and current litigation and $54,375 in severance related to one terminated employee. As of November 28, 2012, one franchisee remains a party to the legal complaint.

Depreciation and Amortization – Franchising

Depreciation and amortization relate to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008. For the three months ended September 30, 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 September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Depreciation and amortization – equipment	**-**	-	-%	**-**	5,553	-%
Depreciation and amortization – intangibles	**117,702**	9,300	(1166)%	**355,958**	80,133	(344)%
Depreciation and amortization	**117,702**	9,300	(1166)%	**355,958**	85,686	(315)%

Corporate Operations

The Company operates four shredding operations in Syracuse, Albany, Milwaukee, and New York City. The Miami business is currently operated by one of the Company's franchise locations. The Company earns royalty revenue and rental revenue from the franchise location currently operating the Miami business. Refer to 'Transactions with Related Parties.' These locations represent the Company's corporately owned locations.

	3 months ended September 30				*9 months ended September 30*			
	2012	% of revenue	2011[1]	% of revenue	**2012**	% of revenue	2011[1]	% of revenue
	$		$		**$**		$	
Revenue:								
Shredding service	**584,741**	80%	342,179	67%	**1,844,795**	80%	1,069,779	70%
Recycling	**144,904**	20%	171,601	33%	**448,333**	20%	458,833	30%
Total revenue	**729,645**	100%	513,780	100%	**2,293,128**	100%	1,528,612	100%
Operating costs	**611,075**	85%	288,551	56%	**1,818,780**	80%	913,370	60%
EBITDA	**118,570**	15%	225,229	44%	**474,348**	20%	615,242	40%
Depreciation – tangible assets	**67,667**	9%	32,507	6%	**191,968**	8%	96,265	6%
Interest expense	**151,488**	21%	70,322	14%	**430,054**	19%	208,675	14%
Corporate operating income	**(100,585)**	(15)%	122,400	24%	**(147,674)**	(7)%	310,302	20%

[1] *The results for the three and nine months ended September 30, 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 September 30, 2012 increased substantially over the third quarter of 2011 due to the acquisition of the New York City franchise on January 1, 2012. These revenues are generated in US dollars which are translated at the average exchange rate for the period. For the three months ended September 30, 2012, shredding service and recycling revenues, denominated in US dollars were US$725,836. For the nine months ended September 30, 2012, shredding service and recycling revenues, denominated in US dollars were US$2,287,538. Operating costs increased over the same periods in the prior year as a result of higher truck repair and maintenance costs in New York City, which led to increased costs of operation.

The New York City location incurred $37,381 in truck repair and maintenance costs during the three months ended September 30, 2012 and $81,700 during the nine months ended September 30, 2012. During the third quarter, the Company replaced two of its existing shredding vehicles with new shredding equipment with a view to minimize service disruptions and repair costs. The Company continues to assess its truck fleet to ensure that customer service levels are maintained at high levels, and operational efficiencies are maximized. The corporate operations also experienced a 43% decline in recycling revenue as a result of the decline in paper prices. This resulted in a decrease of $199,696 in recycling revenue for the three corporate locations in operation in 2011 and 2012.

Same Store Corporate Operations

Same store corporate operational results are indicators of performance of corporate stores that have been in the system for equivalent periods in 2012 and 2011. Same store corporate results include the operations of Syracuse, Albany and Milwaukee. For the three and nine months ended September 30, 2012, recycling revenues decreased by 46% and 39% respectively as a result of the significant decline in paper prices. This led to the decline in EBITDA and operating income for both periods.

	3 months ended September 30				*9 months ended September 30*			
	2012	% of revenue	2011	% of revenue	**2012**	% of revenue	2011	% of revenue
	$		$		**$**		$	
Revenue:								
Shredding service	**342,587**	79%	342,179	67%	**1,077,412**	79%	1,069,779	70%
Recycling	**92,656**	21%	171,601	33%	**280,822**	21%	458,833	30%
Total revenue	**435,243**	100%	513,780	100%	**1,358,234**	100%	1,528,612	100%
Operating costs	**282,249**	65%	288,551	56%	**916,372**	67%	913,370	60%
EBITDA	**152,994**	35%	225,229	44%	**441,862**	33%	615,242	40%
Depreciation – tangible assets	**40,067**	9%	32,507	6%	**108,627**	8%	96,265	6%
Interest expense	**69,678**	16%	70,322	14%	**222,751**	16%	208,675	14%
Corporate operating income	**43,249**	10%	122,400	24%	**110,484**	8%	310,302	20%

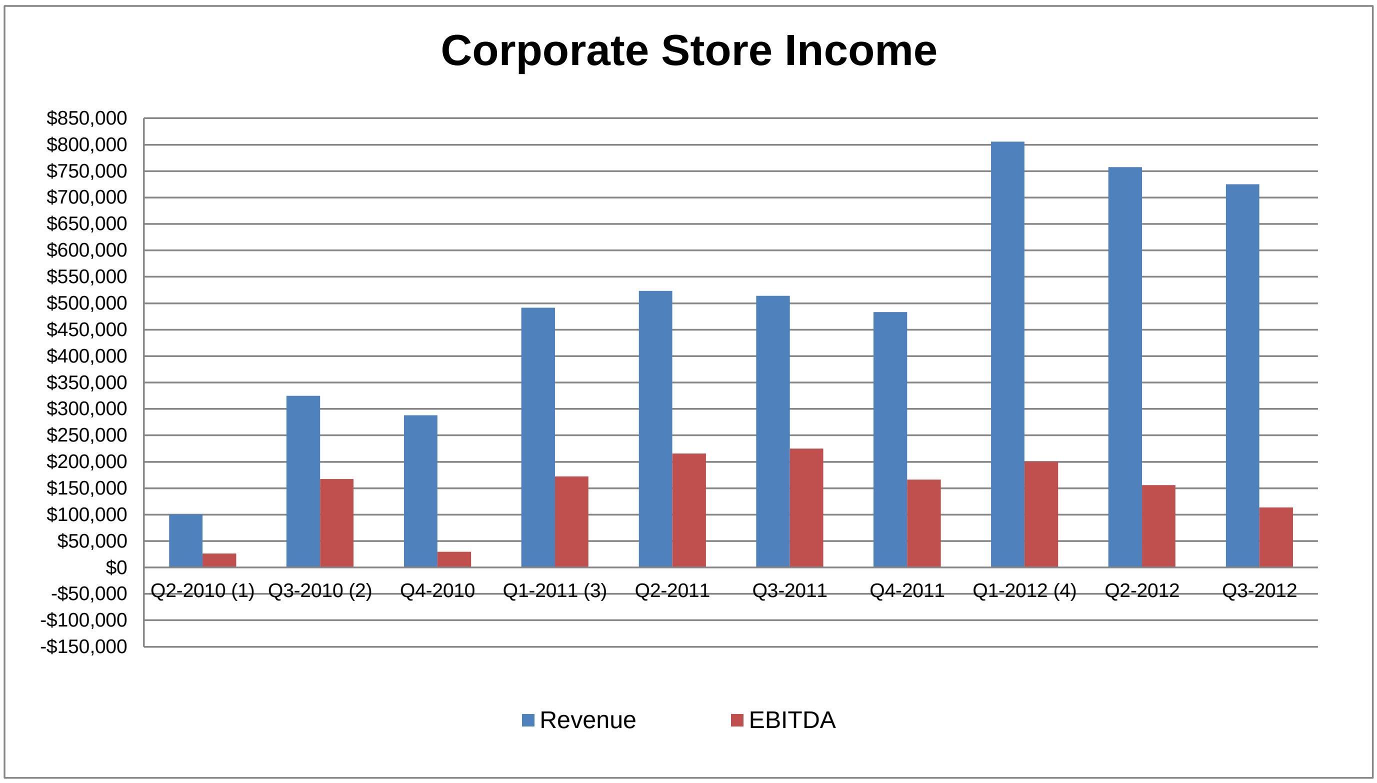
Depreciation and Amortization

Depreciation and amortization relates to the assets purchased in relation to the Syracuse, Albany, Milwaukee and New York City and Miami corporate locations. For the three and nine months ended September 30, 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 September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Depreciation and amortization – equipment	**67,667**	32,507	(108)%	**191,968**	96,265	(99)%
Depreciation and amortization – intangibles	**88,415**	39,241	(125)%	**252,905**	117,532	(115)%
Depreciation and amortization	**156,082**	71,748	(118)%	**444,873**	213,797	(108)%

The following chart illustrates the last 10 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 $206,447 for the three months ended September 30, 2012 and an operating loss of $697,645 for the nine months ended September 30, 2012. Immediately after the purchase of the New York City business, the Company commenced a review of the New York City operations. As a result the Company implemented a cost reduction program, a truck refurbishment and replacement program and a route optimization program with a view towards improved results. For the nine months ended September 30, 2012 the operating loss was also driven by professional fees of $154,900 related to litigation. Furthermore, for the nine months ended September 30, 2012, paper prices attained by the system decreased by 41% over the same period in 2011. This resulted in lower royalty revenue from franchisees and lower recycling revenue from corporate locations. The Company also generated revenues by awarding the North Chicago, IL franchise in the first quarter and the Houston, TX franchise in the third quarter of 2012.

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Operating loss	**206,446**	359,514	42%	**697,646**	612,804	(14)%
Operating loss – excluding one-time costs	**144,223**	43,973	(228)%	**488,370**	164,974	(196)%

Foreign exchange

Foreign exchange gain/(loss) was as follows:

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Foreign exchange gain/(loss)	**(188,979)**	100,097	(289)%	**(210,617)**	(64,417)	(227)%

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. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses.

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 bear interest at 6.502% to 8.14% per annum. All interest costs have been attributed to the acquisition of corporate locations and financing of shredding vehicles. Interest expense increased in 2012 as a result of the use of the line of credit to acquire the New York City business on January 1, 2012 and the Miami business on July 13, 2012.

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Interest income	**1,408**	866	63%	**3,860**	2,359	64%
Interest expense	**(151,488)**	(70,322)	(115)%	**(430,054)**	(208,675)	(106)%

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 nine months ended September 30, 2012, the Company booked a tax recovery of $41,070. 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 Income/(Loss)

	3 months ended September 30			*9 months ended September 30*		
	2012	2011	%Ch	**2012**	2011	%Ch
	$	$		**$**	$	
Net income/(loss)	**(591,396)**	(309,946)	(91)%	**(1,833,249)**	(880,435)	(108)%
Net income/(loss) – excluding one-time costs	**(561,643)**	5,596	(10137)%	**(1,304,379)**	(564,894)	(131)%

The Company posted a net loss of $1,833,249 for the nine months ended September 30, 2012. The net loss was driven by 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; the settlement of the pre-existing relationships as part of the New York City and Miami acquisitions and unrealized foreign exchange loss with the appreciation of the Canadian dollar. These factors resulted in $1,134,721 of the total net loss or 62% of total net loss. In addition, during the nine months ended September 30, 2012 the Company incurred $154,900 (for the nine months ended September 30, 2011 - $419,748) in one-time legal costs associated with the defence of the past and current litigation. On July 13, 2012, in conjunction with the purchase of the Proshred Miami business, the Miami franchisee permanently withdrew from the legal complaint. As of November 28, 2012, one franchisee remains in the litigation.

Selected Quarterly Results

	2012			2011				2010
(in CDN except where noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	$	$	$	$	$	$	$	$
System sales *(USD)*	**3,738,939**	**3,751,552**	**3,622,856**	**3,474,657**	**3,978,639**	**3,951,035**	**3,530,693**	**3,253,687**
Total Company revenue	**1,073,287**	**965,831**	**1,101,050**	**1,083,597**	**757,315**	**827,278**	**711,192**	**755,279**
Franchise and license fees	140,033	-	93,487	371,381	-	61,989	-	246,249
Royalty and service fees	203,609	208,285	201,627	229,033	243,535	242,222	219,428	220,895
Total revenue from franchising and licensing	**343,642**	**208,285**	**295,114**	**600,414**	**243,535**	**304,211**	**219,428**	**467,144**
On-going operating costs	(343,330)	(420,524)	(402,470)	(495,516)	(409,908)	(391,075)	(415,641)	(432,367)
One-time costs	(62,223)	(55,254)	(69,262)	(151,525)	(315,541)	(87,680)	(44,609)	-
Broker fees	(43,950)	-	-	(98,197)	-	(23,406)	-	-
Total operating expenses	(449,503)	(475,778)	(471,732)	(745,237)	(725,449)	(502,161)	(460,250)	(432,367)
Total operating income (loss) – franchising and licensing	**(105,861)**	**(267,493)**	**(176,618)**	**(144,823)**	**(481,914)**	**(197,950)**	**(240,822)**	**34,777**
Corporate locations revenue	729,645	757,546	805,936	483,183	513,780	523,067	491,764	288,135
Corporate locations operating costs	(611,075)	(601,950)	(605,545)	(316,772)	(288,551)	(305,339)	(319,478)	(231,462)
Corporate locations EBITDA	**118,570**	**155,596**	**200,391**	**166,411**	**225,229**	**217,728**	**172,286**	**56,673**
Depreciation – tangible assets	(67,667)	(62,291)	(62,219)	(34,271)	(32,507)	(33,975)	(29,783)	(34,246)
Interest expense	(151,488)	(140,199)	(138,367)	(78,240)	(70,322)	(69,559)	(68,795)	(32,523)
Total operating income (loss) - corporate	**(100,585)**	**(47,894)**	**(195)**	**53,900**	**122,400**	**114,194**	**73,708**	**(10,096)**
Total operating income (loss) – excluding one-time costs - Company	**(144,223)**	**(260,133)**	**(107,551)**	**60,602**	**(43,973)**	**3,925**	**(122,505)**	**24,681**
Income (loss) before taxes	(598,083)	(434,076)	(842,160)	324,925	(312,605)	(245,583)	(330,908)	196,369[(1)]
Profit (loss) attributable to owners of the parent	(591,396)	(418,385)	(823,470)	423,409	(309,946)	(244,583)	(325,908)	213,022[(1)]
Profit (loss) excluding one-time costs	(561,643)	(363,131)	(403,508)	574,933	5,595	(156,903)	(281,299)	213,022[(1)]
Basic and diluted net income (loss) per share	(.02)	(.01)	(.03)	.01	(.01)	(.01)	(.01)	.01[(1)]

(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 was 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)

Scheduled and unscheduled system 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.

From the last quarter of 2009 to the third quarter of 2011, the price of recycled paper products increased and grew to near record highs to $247 per ton, on average, in the Proshred system. From the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52% in the Proshred system. Refer to 'Recycling Sales' on page 12.

Royalty fees in 2012 decreased over the prior 2011 quarters as a result of the conversion of the New York City franchise location to a corporate location as well as the drastic decline in paper prices. This has been offset by the franchise fee earned related to awarding the North Chicago franchise in the first quarter of the year and the Houston, TX franchise in the third quarter of 2012.

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, which was recovered as part of the Miami acquisition on July 13, 2012 and recognized as part of the 'Recovery of bad-debt expense' in the third quarter of 2012.

Balance Sheet

	September 30, 2012	December 31, 2011
	$	$
Working capital	**(21,518)**	2,982,233
Total assets	**7,944,553**	9,006,024
Total liabilities	**7,505,825**	6,726,456

The Company entered into two loan and security agreements in the third quarter of 2012 for a total amount of US$246,556 in order to replace two of its existing shredding vehicles with new shredding equipment with a view to minimize service disruptions and repair costs. The Company also entered into a loan and security agreement on July 13, 2012 to finance a shredding vehicle in conjunction with the Miami acquisition. The current portion of these truck loans is included in current liabilities. Subsequent to the third quarter of 2012, the Company renegotiated the promissory note payable in 12 months from the date of the New York City acquisition to US$60,000 from US$75,000. As a result, the Company's working capital increased by US$15,000 in the fourth quarter of 2012. The Company has approximately $250,000 available on its line of credit.

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 to $6.0 million, repayable on November 27, 2014; all other terms of the agreement remained unchanged. In July 2012, the Company drew from its line of credit in order to finance the purchase of the Miami business on July 13, 2012.

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

The Company has access to a $6 million line of credit, of which $5.74 million has been drawn as of September 30, 2012. The Company closely monitors its cash balances and cash flows generated from operations to meet its requirements. 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 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. 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 accounts payable, accrued liabilities and current portions of the notes payable and long-term debt of $860,502 at September 30, 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	**259,055**
Between 1 and 5 years	**223,480**
More than 5 years	**–**
Total	**482,535**

Capital Assets

As at,	**September 30, 2012**	December 31, 2011	% Ch
	$	$	
Net book value	**1,373,120**	565,294	143%

Capital assets (not including intangible assets) increased as a result of the acquisition of the New York City and Miami businesses on January 1, 2012 and July 13, 2012, respectively. This increase was 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 and Miami acquisitions.

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 September 30, 2012, there is a nil balance included in trade receivables due from the Director's franchise (December 31, 2011 - $1,592). The Tampa, Florida franchise is currently operating the Proshred Miami business acquired by the Company. The Company earned royalty revenue and truck rental revenue of $7,436 during the nine months ended September 30, 2012 related to the Miami operations. During the nine months ended September 30, 2012, the Company earned royalty and service fee amounts of $63,498 (September 30, 2011 - $63,892) from the Director's franchise and the Proshred Miami business. Included in selling, general and administrative expenses for the nine months ended September 30, 2012 are insurance premium amounts of $13,037 (September 30, 2011 - $12,450) paid to an insurance brokerage firm owned by a Director of the Company and $3,142 in recruiting services paid to a recruiting 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 September 30, 2012, there were 28,884,658 issued and outstanding common shares. As at September 30, 2012 there were 720,000 options to acquire common shares and 4,000,000 warrants to acquire common shares. During the nine months ended September 30, 2012, 875,000 stock options expired. There have been 17,500 stock options granted during the nine months ended September 30, 2012 (for the nine months ended September 30, 2011 – 145,000). On November 23, 2012 the Company granted options to certain Directors of the Company to purchase an aggregate of 975,000 common shares. The granting of new stock options follows the expiry of their original Stock Option Agreements dated August 29, 2007. The new stock option grants are on substantially the same terms as those that have expired. The options were granted at an exercise price of $0.20, with 100% of the options vesting upon execution, and with a term of five years. As of November 28, 2012 there are 28,884,658 issued and outstanding common shares, 1,695,000 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 nine months ended September 30, 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

During the second quarter of 2010, four 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 Proshred Franchising Corp. ("PFC"), (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. On July 13, 2012, in conjunction with the purchase of the Proshred Miami business, the Miami franchisee permanently withdrew from the legal complaint. As of September 30, 2012 and November 28, 2012, one franchisee remains in the legal complaint and three franchisees have permanently withdrawn.

The Company intends to vigorously defend against this remaining 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.

Subsequent Events

Subsequent to the third quarter, on October 24, 2012, the Company announced that it had entered into an agreement with a new franchisee to operate a Proshred shredding business in Richmond, Virginia. The Company expects its new franchise to commence operations in the first quarter of 2013.

On November 23, 2012 the Company granted options to certain Directors of the Company to purchase an aggregate of 975,000 common shares. The granting of new stock options follows the expiry of their original Stock Option Agreements dated August 29, 2007. The new stock option grants are on substantially the same terms as those that have expired. The options were granted at an exercise price of $0.20, with 100% of the options vesting upon execution, and with a term of five years.

Dated: November 28, 2012