Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial statements 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 annual report for 2010 and the consolidated financial statements for the years ended December 31, 2010 and 2009 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These documents as well as additional information about the Company are available on SEDAR at www.sedar.com. This MD&A is dated April 29, 2011.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements 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 statements 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 statements in this document discuss Redishred's anticipated outlook of future events. These statements include, but are not limited to:

(i) the Company's ability to achieve certain levels of cash flow, which may be impacted by:
   a. the number of new franchises awarded,
   b. the size of the franchise territories awarded,
   c. the growth of the system sales achieved by existing and new locations,
   d. the economic circumstances in certain regions of the United States,
   e. the growth of sales achieved in corporate locations, and
   f. the level of corporate overhead;

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

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

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

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

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

These forward-looking statements 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 statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Non-GAAP Measures

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

- System sales are revenues generated by franchisees and corporately operated locations. The system sales generated by franchisees drive the Company's royalty and information technology fee revenues. The system sales generated by corporate locations are included in the Company's revenues.
- Same location system sales results are indicators of performance of franchisees and corporately operated locations that have been in the system for equivalent periods in 2010 and 2009.
- Operating income (loss) includes depreciation and amortization related to the equipment purchased in relation to the Company's corporate locations and depreciation and amortization related to equipment used in the franchise business.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Company as of December 31, 2010 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario, Canada. As of December 31, 2010 there were 18 Proshred locations in the United States (see below) comprising of 72.4 territories, and one international licence to operate in the Middle East. A territory is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). The Company operated the Syracuse location directly as of May 1, 2010 and has been operating the Albany location directly as of July 1, 2010. On December 31, 2010, the Company purchased the Milwaukee, WI franchise; results from the Milwaukee location will be included in the Company's 2011 operating results. The Company's location list is as follows:

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

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

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

The Company operates the Proshred franchising business (defined as the business of granting and managing franchises in the United States and the Middle East[1]). 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.

On April 30, 2010, the Company acquired the Proshred Syracuse business from an existing franchisee for a purchase price of $295,000 CDN plus contingent consideration of $35,000 CDN. This location marked the first corporate location to be operated by the Company, and also serves as a training facility.

On June 30, 2010, the Company completed the acquisition of the Proshred Albany business from an existing franchisee for an aggregate purchase price of $410,000 CDN plus contingent consideration of $52,000 CDN. Syracuse serves as the Company's regional headquarters for upstate NY, and accordingly management and office functions for Albany have been consolidated in Syracuse, NY in order to realize operating efficiencies.

On November 1, 2010 the Company entered into an agreement with Averda International FZ-LLC ("Averda") to operate the "Proshred" and "Redishred" business platform in 15 countries and four territories throughout the Middle East[1] region.

On December 31, 2010, the Company completed the acquisition of the Proshred Milwaukee business from an existing franchisee for an aggregated price of $1,503,000 CDN. With this acquisition, Redishred will operate its third corporately owned location in 2011.

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

Performance Compared to 2010 Goals and Objectives

In the Company's 2009 Annual Report, management stated its 2010 goals and objectives. A review of the Company's performance in meeting these goals and objectives are included below:

2010 Goals and Objectives	**Performance to December 31, 2010**	**Comments/Revised Goals**
Establish four new franchise locations.	On July 26, 2010, the Company awarded the San Diego franchise. Operations commenced in October 2010. The Company awarded its first international licence to operate in the Middle East.	***The Company did not attain the goal of establishing four new franchise locations in 2010. However, as a result of the new Middle East licence, the Company's performance goals for franchise and license fee revenue were met in 2010.***
Establish two new corporate locations by way of acquisitions	Three corporate locations have been established by way of acquisitions during 2010.	**The Company completed the following acquisitions in 2010, exceeding the annual goal for the year:** • ***Syracuse – April 30, 2010*** • ***Albany – June 30, 2010*** • ***Milwaukee – December 31, 2010***
Grow system sales from existing locations by 14% to $11.0M USD compared to 2009. ***Management revised its annual system sales growth goal from existing locations in the third quarter of 2010 to between 25% and 30% for the year.***	System sales from locations in operation more than one year were $12.9M USD for the twelve months ended 2010, which is 34% higher than the same period last year.	***Annual and revised goal has been exceeded.***

Goals and Objectives for 2011

Management has set new objectives for 2011 as follows:

1. Grow system sales from existing locations by 15% over fiscal 2010 to a total of $14.8 million USD.
2. Establish between two new franchise locations.
3. Establish two new corporate locations.
4. Generate $450,000 in earnings before interest, taxes, depreciation and amortization (“EBITDA”) from our current corporate locations, Syracuse, Albany and Wisconsin.

2011 Goals and Objectives	Strategy for Achieving Goals
Grow system sales from existing locations by 15% to $14.8M USD compared to 2010.	Provide sales support to all franchisees and corporate locations in their sales growth efforts. Sales support will include on-site field visits, lead generation programs and enhanced marketing tools.
Establish two new franchise locations.	Continue to invest in franchise development marketing activities and develop stronger relationships with business brokers.
Establish two new corporate locations by way of acquisition or by way of starting new locations.	Will actively contact small and medium size independent shredding operators with the view to purchase their operations. The Company will also commence operations in one or two cities in close proximity to its current corporate operations.
Achieve a minimum of $450,000 in EBITDA from existing Corporate locations (Syracuse, Albany and Milwaukee).	Management will focus on two key areas that drive profitability, (1) increased sales and marketing activities in the local market and (2) continued focus on route optimization.

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for years ended December 31, 2010, 2009 and 2008. For the year ended December 31, 2010, net loss was reduced by 39% from 2009.

(in CDN except where noted)

For the years ended,	**December 31, 2010**	December 31, 2009	December 31, 2008
	$	$	$
Franchise sales and revenue data:			
System sales (USD)	**12,937,195**	9,662,060	7,344,277
Franchise and license fees	**355,413**	139,883	378,113
Royalties and service fees	**934,639**	828,944	597,866
Franchise related revenue	**1,290,052**	968,827	975,979
Corporate location data:			
Corporate location revenue	**713,711**	-	-
Corporate location costs(1)	**(585,957)**	-	-
Net income from corporate locations	**127,754**	-	-
Operating cost data:			
Recurring	**(1,599,518)**	(1,884,664)	(1,696,746)
Broker fees	**(25,527)**	-	-
One-time costs(2)	**-**	(210,000)	(132,200)
Bad debt expense	**(35,811)**	(67,000)	-
Depreciation and Amortization- equipment	**(170,936)**	(198,681)	(153,728)
Total operating costs	**(1,831,792)**	(2,360,345)	(1,982,674)
Operating income (loss)	**(413,986)**	(1,391,518)	(1,006,695)
Net income (loss)	**(1,217,490)**	(2,003,043)	(1,495,618)
Loss per share	**(0.04)**	(0.09)	(0.07)

(1) Corporate location costs include operating costs, interest expense on the use of the Company's line of credit to purchase Syracuse & Albany, and depreciation and amortization on tangible assets.

(2) One-time costs include legal fees related to unsuccessful financing and acquisition activities, forfeited deposits related to aborted acquisitions and severance payments related to cost reduction programs.

The Company operates the Proshred system, and derives revenues from franchise and other fees as well as royalty and service related fees. Commencing in 2010, the Company operated two corporate locations, one in Syracuse and one in Albany. These corporate locations generate shredding service revenue and recycling revenue as well as costs related to the marketing to and servicing of customers. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

Total Revenues

Franchising and licensing:

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Franchise and license fees	**246,249**	-	100%	**355,413**	139,883	154%
Royalty and service fees	**220,895**	212,767	4%	**934,639**	828,944	13%
Total franchise and license related revenue	**467,144**	212,767	120%	**1,290,052**	968,827	33%

During the fourth quarter of 2010 the Company entered into an agreement with Averda International FZ-LLC to operate the “Proshred” and “Redishred” business platform in 15 countries and four territories throughout the Middle East. As a result, the Company earned $250,000 USD in license fees. The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. Royalties and service fees are charged for use of the trademarks and system, franchise and license fee revenue is generated when a franchise or license is awarded. For the twelve months ended December 31, 2010, royalty and fee revenues, denominated in US dollars were $906,888 USD.

Corporate Operations:

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Shredding services	**218,401**	-	100%	**544,373**	-	100%
Recycling	**69,734**	-	100%	**169,338**	-	100%
Total shredding related revenue	**288,135**	-	100%	**713,711**	-	100%

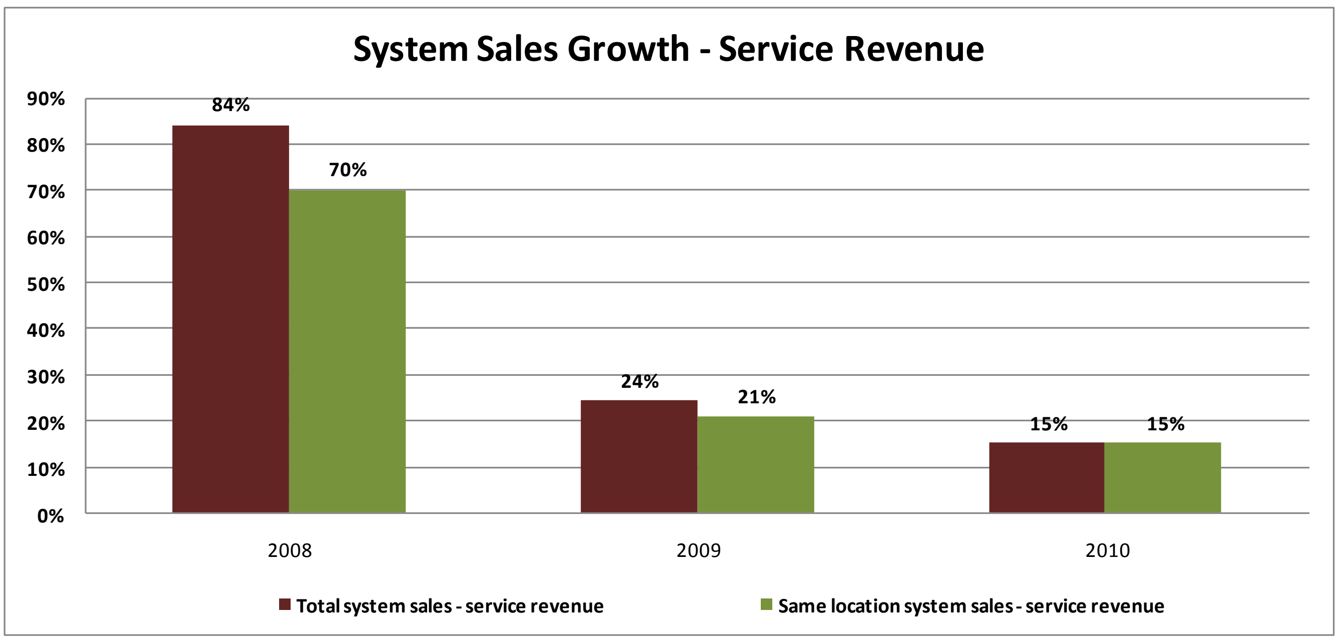
Shredding service and recycling revenue is generated by our corporate locations in Albany and Syracuse. These revenues are generated in US dollars which are translated at the average exchange rate for the period. For the twelve months ended December 31, 2010 shredding service and recycling revenues, denominated in US dollars were $692,520 USD.

System Sales

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

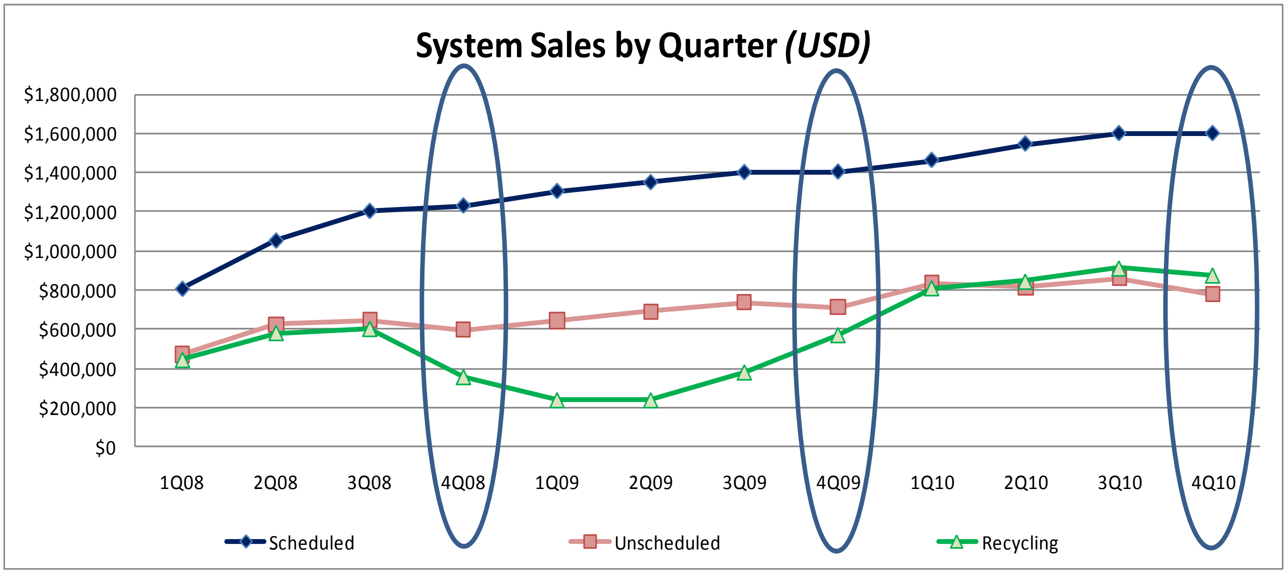
	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
Total operating locations at period end	**18**	17	6%	**18**	17	6%
Territories	72.4	69.5	4%	72.4	69.5	4%
Total system sales (USD)	**$3,253,687**	$2,685,433	21%	**$12,937,195**	$9,662,060	34%
Total system sales (CDN)	**$3,297,840**	$2,840,947	16%	**$13,335,014**	$11,031,367	21%

System sales data for 2008 and earlier has been collected by the Company’s subsidiary, Professional Shredding Corporation (“PSC”) prior to its acquisition by the Company. The following chart demonstrates system sales growth relating to service revenue earned (excluding recycling system sales) calendar year 2008.



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 $2,376,535 for the fourth quarter of 2010, growing by $261,676 over the fourth quarter of 2009.

<u>Scheduled sales:</u>

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. This category of service revenue is recurring in nature, usually on a monthly basis. Proshred's sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees and corporate locations with stable and recurring cash flows. The Company's locations grew this sales category by $748,148 (14%) over fiscal year 2009.

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
Scheduled service sales (USD)	**$1,598,440**	$1,402,716	14%	**$6,203,715**	$5,455,567	14%
Mix of total system sales	**49%**	52%		**48%**	56%	

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. Unscheduled sales during the fiscal year of 2010 grew by 18% over the previous year due in part to an improving economy and due in part to increasing awareness of legislation mandating that confidential documents be destroyed on a regular annual cycle.

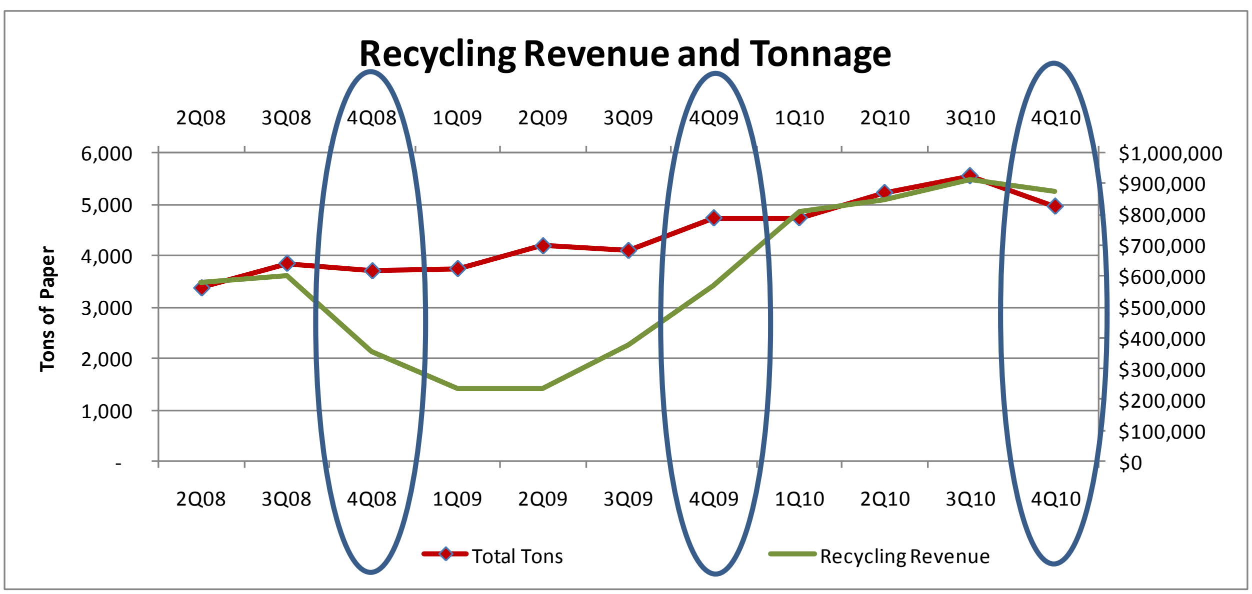
	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
Unscheduled service sales (USD)	**$ 778,095**	$ 712,143	9%	**$ 3,285,974**	$2,785,658	18%
Mix of total system sales	**24%**	27%		**25%**	29%	

Recycling sales:

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

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
Recycling sales (USD)	**$877,152**	$ 570,574	54%	**$3,447,506**	$1,420,834	143%
Mix of total system sales	**27%**	21%		**27%**	15%	

The system as a whole has continued to shred and recycle increased volumes of paper every quarter. In fiscal 2010, the system shredded and recycled 20,400 (16,800 - 2009) tonnes of paper, which equates to 306,500 (251,500 - 2009) trees being saved.



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

Operating Expenses

	3 months ended December 31			12 months ended December 31		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Salaries	**214,252**	255,554	(16)%	**904,671**	1,086,066	(17)%
General, administrative and marketing	**212,600**	218,158	(2)%	**730,658**	1,075,598	(32)%
Franchise broker fees	**-**	-	-%	**25,527**	-	100%
Depreciation and amortization - equipment	**39,917**	49,670	(20)%	**170,936**	198,681	(14)%
	466,769	523,382	(11)%	**1,831,792**	2,360,345	(22)%

Operating expenses for the year ended December 31, 2010 include expenses to support 18 Proshred locations in operation, training and initial support for pending locations, the costs to develop new markets by way of franchising, licensing and acquisition and the amortization of office equipment and furniture and fixtures. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. In 2009 the Company initiated a cost reduction plan, aimed at reducing all overhead costs at the head office in Mississauga. This program has shown a 17% reduction in compensation costs and a 32% decrease in general, administrative and marketing costs for fiscal 2010 versus fiscal 2009. Additionally, during fiscal 2009, the Company incurred $210,000 in one-time charges related to costs associated with aborted acquisitions and severance packages. During fiscal year 2010, the Company incurred a broker fee related to awarding the San Diego franchise.

Corporate Operations

On April 30, 2010, the Company purchased the Syracuse franchise and on June 30, 2010 the Company purchased the Albany franchise. These locations represent the Company's first corporate locations.

	3 months ended December 31		8 months ended December 31	
	2010 **$**	% of revenue	**2010** **$**	% of revenue
Revenue:				
Shredding service	**218,401**	76%	**544,373**	76%
Recycling	**69,734**	24%	**169,338**	24%
Total revenue	**288,135**	100%	**713,711**	100%
Operating costs	**201,907**	70%	**438,580**	61%
Operating income	**86,229**	30%	**275,131**	39%
Depreciation[1]	**33,000**	11%	**74,295**	10%
Interest expense	**32,523**	11%	**73,082**	10%
Corporate location income	**20,705**	7%	**127,754**	18%

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

Operating income (loss)

The Company posted an operating income of $21,081 during the fourth quarter of 2010. The operating income was driven by the newly awarded Middle East license which contributed $246,249 in license fees and by continued positive income from the acquired corporate locations, which contributed $20,706 in income during the fourth quarter.

The Company posted an operating loss during the twelve months ended December 31, 2010, as the Company commenced its acquisition expansion strategy in 2010. While the corporate locations acquired have been accretive to the Company's cash flows and operating income, the Company will be required to conduct further acquisitions to attain a sustainable cash flow positive position. In addition to the cash generated from the corporate locations, the Company generates additional revenues from on-going royalty and licence fees.

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Operating income (loss)	**21,081**	(310,615)	(107)%	**(413,986)**	(1,391,518)	(70)%

Foreign currency

Foreign currency gain (loss) was as follows:

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Foreign currency gain (loss)	**(184,489)**	(6,492)	2742%	**(141,625)**	(31,334)	352%

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

Interest income and expense

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

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Interest income	**1,357**	2,013	(33)%	**4,945**	12,669	(61)%
Interest expense	**(32,523)**	-	100%	**(73,082)**	-	100%

Depreciation and Amortization

Depreciation and amortization for the twelve months ended December 31, 2010 can be broken into two main classes, (1) related to the purchase of PSC and the Proshred franchise business in 2008 and (2) the assets purchased in relation to the Syracuse and Albany corporate locations. Depreciation and amortization are as follows:

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
Franchise and license operations	**$**	$		**$**	$	
Depreciation and amortization – equipment	**39,917**	49,670	(20)%	**170,936**	198,681	(14)%
Depreciation and amortization – intangibles	**147,534**	167,402	(12)%	**550,921**	578,859	(5)%
Depreciation and amortization	**187,451**	217,072	(14)%	**721,857**	777,540	(7)%
Corporate operations						
Depreciation and amortization – equipment	**33,000**	-	100%	**74,295**	-	100%
Depreciation and amortization – intangibles	**5,004**	-	100%	**34,129**	-	100%
Depreciation and amortization	**38,004**	-	100%	**108,424**	-	100%

Income Tax

On March 17, 2008 the Company booked a future tax liability relating to the purchase of PSC and PFC. During the twelve months ended December 31, 2010, the Company booked a tax recovery of $69,000. 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. The Company also recorded a $20,000 provision for current income tax related to PFC.

One Time Items

The Company recorded a loss of $149,775 related to the purchase of the Milwaukee franchise. It was determined during the post acquisition valuation that the Company had paid a premium related to the purchase of the franchise and has accordingly recorded a loss associated with the purchase.

Net Loss

	3 months ended December 31			*12 months ended December 31*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Net loss	**456,990**	537,686	(15)%	**1,217,490**	2,003,043	(39)%

Selected Quarterly Results

(in CDN except where noted)	2010				2009			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
System sales *(USD)*	**3,253,687**	**3,371,135**	**3,202,222**	**3,108,481**	**2,685,433**	**2,516,869**	**2,275,612**	**2,184,145**
Franchise and license operations:								
Franchise and license fees	246,249	109,164	-	-	-	118,131	-	21,752
Royalty and service fees	220,895	236,639	235,092	242,013	212,767	208,857	200,175	203,707
Total revenue from franchising and licensing	**467,144**	**345,803**	**235,092**	**242,013**	**212,767**	**326,988**	**200,175**	**225,459**
Total operating expenses	(466,769)	(499,164)	(458,545)	(407,313)	(523,382)	(518,062)	(792,653)	(566,920)
	375	**(153,361)**	**(223,453)**	**(165,300)**	**(310,615)**	**(191,074)**	**(592,478)**	**(341,461)**
Corporate operations:								
Corporate locations revenue	288,135	324,892	100,685	-	-	-	-	-
Corporate locations costs	(234,907)	(205,372)	(72,595)	-	-	-	-	-
Interest expense	(32,523)	(31,361)	(9,198)	-	-	-	-	-
	20,705	**88,161**	**18,892**	**-**	**-**	**-**	**-**	**-**
Operating income (loss)	21,080	(65,200)	(204,561)	(165,300)	(310,615)	(191,074)	(592,478)	(341,461)
Net income (loss)	(456,990)	(154,026)	(300,831)	(305,643)	(537,686)	(319,428)	(751,641)	(397,726)
Basic and diluted net income (loss) per share	(0.016)	(.005)	(.01)	(.02)	(.03)	(.01)	(.03)	(.02)

2010

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

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

2009

System sales for the first half of 2009 were impacted by a large decrease in recycling related system sales. From the peak in the third quarter of 2008 to the trough in the second quarter of 2009, recycling revenue fell by 61%, despite the fact that the system as a whole recycled 9% more paper when comparing peak to trough.

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

During the first half of 2009, the Company postponed its fund raising and acquisition programs due to the volatile and declining capital markets. As a result, the Company incurred a number of one-time costs related to the expensing of acquisition deposits, financing costs, bad debts and the elimination of some personnel. These costs equated to $279,000.

Balance Sheet

	December 31, 2010	December 31, 2009	December 31, 2008
Working capital	**$ 868,691**	$ 1,119,960	$ 1,583,499
Total assets	**8,025,296**	6,279,555	8,095,233
Total liabilities	**3,936,348**	986,021	1,390,638

The Company has a line of credit facility of $4 million, of which $2.79 million has been used to date.

The Company issued no dividends during the year.

Financial Condition / Capital Resources

As of December 31, 2010, the Company has working capital of $868,691.

The Company monitors its cash balances and cash flows generated from operations to meet its requirements. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due over the next twelve months. The Company has used $2.79 million of its $4 million line of credit facility; these funds were used to acquire the Syracuse franchise, the Albany franchise, the Milwaukee franchise, two shredding trucks and initial working capital for the acquired businesses. The accounts payable and accrued liabilities of $513,559 at December 31, 2010 (December 31, 2009 - $340,021) 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, (2) starting up new locations, and (3) continuing to franchise in the United States and award licenses internationally. The Company estimates that it will be necessary to conduct between two and four acquisitions and to award between two and four new franchise locations over the next 24 months in order to achieve a breakeven level of cash flows. The Company intends to use its remaining $1.21 million line of credit facility to finance acquisition and or start new locations. 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:

Current	$ 169,592
One to four years	294,521
Total	$ 464,113

Capital Assets

As at December 31,	**2010**	2009	**% Ch**
Net book value	**$696,581**	$204,998	**240%**

Capital assets (not including intangible assets) increased to $696,581 as a result of the acquisitions of Syracuse, Albany and Milwaukee. The Company also purchased $6,608 in computer equipment, $10,357 in bins and shredding containers, and $458,854 in shredding vehicles during the twelve month period ended December 31, 2010. The Company did not acquire any equipment in 2009.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies and Changes in Accounting Policies

Please refer to the 2010 Audited Financial Statements for a listing of all accounting policies. The following outlines future changes in accounting policies which may have an impact on the Company's future disclosures.

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the changeover date for Canadian publicly traded enterprises to start using International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will restate the amounts reported for the year ended December 31, 2010 for comparative purposes, as required by IASB. For the quarter ended March 31, 2011, the Company will issue its financial results on an IFRS basis with comparative data. The Company has identified the major differences between its current accounting policies and those required or expected to apply in preparing IFRS financial statements. The following is not a complete list of changes that will result from the conversion to IFRS but highlights the most significant changes in accounting policies from Canadian GAAP to IFRS.

Business Combinations – IFRS 3

Under IFRS 3 *Business Combinations,* the Company will be required to value the cost of its business combinations at fair value at the acquisition date of assets transferred, liabilities (including contingent liabilities) incurred and equity instruments issued by the acquirer. The Company will also need to expense all acquisition related costs and measure any shares issued as consideration at fair value at the acquisition date. The Company is also not permitted to use 'push down accounting.' Furthermore, First-time Adoption of IFRS ("IFRS 1") provides an exemption that allows a Company to adopt the option of no retrospective application to past business combinations at the date of transition. The Company has assessed the impact of this exemption and has decided to elect to apply this first time adoption exemption. As a result, the Company does not expect a material impact to its opening IFRS balance sheet when compared to the December 31, 2009 balance sheet presented under Canadian GAAP. IFRS 3 *Business Combinations* will however be adopted for the Company's business combinations entered into in 2010, which includes the purchase of Syracuse, Albany, and Milwaukee.

Revenue Recognition - IAS 18

Current accounting policy:

Franchising and licensing business: The Company earns revenue from initial franchise and license fees paid by franchisees or licensees to secure territories for a specific period and from royalties and service fees paid by franchisees or licensees as a percentage of their monthly sales volumes. Initial fees are recognized as revenue when the franchisee or licensee has paid the initial fee and has fully executed a franchise or license agreement and has been approved to commence operations. Royalties and service fee revenue is accrued on a monthly basis on sales reported. Interest income on notes receivable is recognized in the month earned.

Corporate operations – shredding and recycling services: The Company earns revenue by providing shredding services to clients, and by way of the sale of recycled paper to recycling facilities. Shredding service revenue is recognized as revenue when the shredding service has been performed and the Company has provided a certificate of destruction and invoice to the client. Recycling revenue is recognized when the collected paper is available to be delivered to the recycling facility and collections are reasonably assured.

Expected IFRS accounting policy:

No significant changes have been identified from the Company's current accounting policy.

Impairment of Long-Lived Assets- IAS 36

Current accounting policy:

Long-lived assets, including equipment and other intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying value of the asset is greater than the future undiscounted cash flows expected to be provided by the asset. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period.

Expected IFRS accounting policy:

Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP, while it is based on comparing the carrying amount to the recoverable amount under IAS 36 *Impairment of Assets* ("IAS 36"). In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under current Canadian GAAP. Assets are tested for impairment at the Cash-Generating Unit level which is the lowest level of assets that generate cash inflows independent of other assets. A review for impairment indicators and reverse impairment indicators is required at each reporting date. If there is an indication of impairment or reverse impairment, the recoverable amount is estimated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. Unlike under Canadian GAAP, the value in use is calculated based on discounted cash flows, which will trigger an impairment loss earlier than under IFRS. The Company will adopt this revised accounting policy on transition to IFRS which will have a material impact on the opening IFRS balance sheet at the transition date. In particular, the IFRS opening balance sheet will include an impairment taken against its intangible assets. The decrease in the value of intangible assets will decrease Shareholders' Equity on the opening IFRS balance sheet when compared to the December 31, 2009 balance sheet presented under GAAP.

Income Taxes- IAS 12

Current accounting policy:

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantially enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in future income tax rates are included in income tax recovery (expense) in the period that the substantive enactment or enactment occurs. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Expected IFRS accounting policy:

One of the main differences between IFRS and Canadian GAAP on initial recognition is in the treatment of a permanent difference. If the transaction is not a business combination, and it does not affect accounting and taxable profit, IAS 12 *Income Taxes* ("IAS 12") does not permit recognition of the resulting deferred tax liability or asset, either on initial recognition or subsequently. In contrast GAAP requires the cost of future income taxes to be recognized at the time of acquisition and added or deducted to or from the cost of the asset. The Company will adjust its opening balances for any outstanding permanent differences as of January 1, 2010 and adopt this revised accounting policy on transition to IFRS. In addition, IAS 12 recognizes a deferred tax asset if it is "probable" that sufficient future taxable profit will be available to recover the asset whereas GAAP uses "more likely than not" criterion.

As a result of the impairment impact on the Company's opening balance sheet due to the adoption of IAS 36 *Impairment of Assets*, it is expected that the change to the deferred income tax liability at transition to IFRS will be significant. In particular, Redishred's IFRS opening balance sheet will reflect a decrease to the deferred income tax liability as a result of the impairment adjustment taken. The adoption of IFRS may also have an impact on the Company's tax accounting in the period of adoption and in subsequent periods for new temporary differences arising on the conversion to IFRS.

In regards to presentation and disclosure, IAS 12 uses the terms current tax and deferred tax in place of the Section 3465 terms of current income taxes and future income taxes. Also, IAS 12 does not permit deferred tax assets and liabilities to be classified as current assets or current liabilities but rather classified as non-current. The Company will also be required to present separately the provision for current and future income taxes. Additional disclosures will be made in compliance with the standard, which includes a basis on which the applicable tax rate is computed.

Equipment and amortization- IAS 16

Current accounting policy:

Equipment is carried at cost. Amortization is provided for over the estimated useful lives, using the straight-line basis at the following annual rates:

Computer equipment	2 years
Computer software	3 years
Furniture and fixtures	3 years
Bins and shredding containers	5 years
Shredding vehicles - chassis	3-5 years
Shredding vehicles – shredding compartment	3-5 years
Recycling equipment	2 years

Expected IFRS accounting policy:

Componentization: IAS 16 *Property, plant and equipment* (“IAS 16”) reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately. The Company has commenced recording all new capital asset expenditures in compliance with IAS 16.

IAS 16 also requires a Company to review all assets with zero net book values on an annual basis to determine whether the assets are still in use, at which point an applicable useful life is assigned. In addition, useful lives, amortization methods and residual values must be reviewed annually. IAS 16 also dictates that directly attributable costs including salaries and benefits related to bringing an asset up to use intended by management are capitalized with the cost of that asset. The Company will adopt these revised accounting policies on transition to IFRS. Further, the Company does not anticipate any changes to its 2010 opening balance sheet as a result of IAS 16.

Foreign exchange- IAS 21

Current accounting policy:

The Company’s subsidiaries operate autonomously as self-sustaining companies. The functional currency of the Company’s foreign subsidiaries, Proshred Franchising Corp. and RediShred Acquisition Inc., is the US dollar. Assets and liabilities of these subsidiaries are translated into Canadian dollars at exchange rates at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Cumulative translation adjustments are included as a component of accumulated other comprehensive income in shareholders’ equity.

Expected IFRS accounting policy:

First-time Adoption of IFRS ("IFRS 1") provides an exemption that allows a Company to reset its cumulative translation account to zero at the date of transition, with the balance being transferred to opening retained earnings. The Company has assessed the impact of this exemption and has decided to elect to apply this first time adoption exemption. This will result in a reclassification between Accumulated Other Comprehensive Income and retained earnings and will not affect reported total equity. IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires that each individual entity included in those statements to determine its own functional currency and measure its own results and financial position in that currency. This explicit requirement applies whether the individual entity is a stand-alone entity, an entity with foreign operations (e.g. a parent company) or is actually the foreign operation (e.g. a subsidiary or branch). IFRS refers to functional currency as the currency of the primary economic environment in which the entity operates. IFRS does not classify the foreign operation into integrated or self-sustaining foreign operations. A company must determine its own functional currency and measure its own results and financial position in that currency. Redishred does not expect any material impacts as a result of IAS 21 at the transition date.

Stock based compensation- IFRS 2

Current accounting policy:

The Company accounts for stock options issued under its stock option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Expected IFRS accounting policy:

The Company is currently expected to be in compliance with IFRS 2 *Share Based Compensation* with respect to the accounting for stock based compensation with the exception of the following differences that will impact the compensation expense. The Company is required to treat each tranche within an award as a separate award and calculate compensation expense for each tranche over its own distinct vesting period. The Company is also required to estimate a forfeiture rate into the calculation of periodic compensation expense. However, First-time Adoption of IFRS ("IFRS 1") provides an exemption that allows companies to retain the expense recognized under Canadian GAAP for those exempt awards (after November 7, 2002 that have or will vest before the Transition Date) in its opening IFRS statement of financial position. The Company has assessed the impact of this exemption and has decided to elect to apply this first time adoption exemption. The Company will also be required to include additional disclosures that meet the requirements of IFRS 2. As a result, the Company expects an increase to Contributed Surplus and the deficit on its January 1, 2010 opening balance sheet.

Intangible assets- IAS 38

Current accounting policy:

Intangible assets are recorded at their fair value at the date of acquisition of the related subsidiary. Amortization is provided for intangible assets with limited lives on a straight-line basis over their estimated useful lives of ten years, with the exception of non-compete agreements which are amortized over five years.

Expected IFRS accounting policy:

IAS 38 Intangible assets (“IAS 38) dictates that a Company review all classes of assets and determine if such classifications and useful lives are currently applicable and relevant. The Company has reviewed its intangible assets and determined that there are no changes to be made at the transition date. The Company will however reclassify computer software to intangible assets as required. The Company will adopt the IAS 38 requirements of annually reviewing the assets’ amortization periods, methods, and useful lives, as well as tracking and capitalizing directly attributable costs to bring intangible assets up to use intended by management. The Company does not expect any material impacts of IAS 38 at the transition date.

Loss per share- IAS 33

Current accounting policy:

Basic loss per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effect of dilutive common share equivalents such as options and warrants. The diluted loss per share amounts are calculated using the treasury stock method, as if all the common share equivalents where average market prices exceeds issue price and had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period. Since the Company has losses, the exercise of outstanding stock options has not been included in the calculation of diluted loss per share as it would be anti-dilutive.

Expected IFRS accounting policy:

The Company is currently expected to be in compliance with IAS 33 *Earnings per share* (“IAS 33”) with respect to calculating basic earnings per share. In calculating the diluted earnings per share, the Company will be required to calculate the number of dilutive potential ordinary shares independently for each period presented rather than a weighted average included in each interim computation as dictated by Canadian GAAP. Redishred will also disclose additional information not currently required including the amounts used as the numerators and denominators of basic and diluted loss per share.

Financial Instruments- IAS 39, IAS 32, IFRS 7

Current accounting policy:

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Expected IFRS accounting policy:

The Company is currently in compliance with IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). However, IFRS has re-named held-for-trading financial instruments as ‘fair value through profit or loss’ (FVTPL). Redishred is also expected to be in compliance with IFRS 7 *Financial Instruments: Disclosures* at the transition date. IAS 32 *Financial Instruments: Disclosure and Presentation* requires more extensive disclosures about exposures to liquidity, currency and other price risks. The Company will need to prepare a sensitivity analysis for each type of market risk to which it is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

Summary of the IFRS changeover plan

The plan addresses the impact of IFRS on Accounting policies and implementation decisions, Infrastructure, Business activities and Control activities. A summary status of the key elements of the changeover plan is as follows:

	Key Activities	**Status**
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies; Selection of the Company's ongoing IFRS policies; Selection of the Company's IFRS 1 First-time Adoption of IFRS choices; Development of financial statement format; Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements.	The Company has identified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1; The Company has selected its IFRS policies and IFRS 1 First-time Adoption of IFRS choices. The Company has quantified the identified differences. The audit of such quantifications is outstanding.
Infrastructure: Financial reporting expertise	Development of IFRS expertise.	The Company has and will continue to provide training for key employees until the full adoption of IFRS in 2011.
Infrastructure: Information technology and data systems	Identify and addresses IFRS differences that require changes to financial systems; Identify and address additional data capture and reporting requirements to financial systems; Evaluate and select methods to address the need for dual record keeping during 2010 (IFRS and Canadian GAAP), for 2010 IFRS comparatives, and 2011 budget and planning purposes.	The Company has identified system requirements, and has upgraded current financial systems. The Company has commenced data capture and reporting requirements to financial systems. The Company has determined the method of dual record keeping and its system is capable of processing IFRS.

	Key Activities	Status
Business activities: Financial covenants	Identification of impact on financial covenants and business practices;	The Company has analyzed the contractual implications of IFRS on any financing relationships and has determined that there are no required renegotiations and changes to be implemented.
Business activities: Compensation arrangements	Identification of impact on compensation arrangements;	The Company has analyzed all compensation policies that rely on indicators derived from the financial statements and has determined that there are no required changes to be implemented.
Control activities: Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting ("ICFR") design and effectiveness implications;	The Company has assessed ICFR design and effectiveness implications and is in the process of updating its policies & procedures to be IFRS compliant.
Control activities: Disclosure control and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedure ("DC&P") design and effectiveness implications; Adoption of appropriate changes by the first quarter of 2011.	The Company has assessed the DC&P design and effectiveness implications and is in the process of implementing the appropriate changes.

Transactions with Related Parties

Mr. Mark MacMillan, a Director of the Company, is the owner of the Tampa, Florida Proshred franchise. Included in accounts and notes receivable at December 31, 2010, is $9,155 (December 31, 2009 - $13,657) due from Mr. MacMillan's franchise. During the twelve months ended December 31, 2010, the Company earned royalty and service fees amounting to $77,198 (December 31, 2009 - $68,689).

Included in general, administrative and marketing expense for the twelve months ended December 31, 2010 are insurance premiums amounting to $16,929 (December 31, 2009 - $16,879) paid to Alfred J. Bell & Grant Ltd, a Company owned by Mr. Phillip Gaunce, a Director of the Company.

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

Risks and Uncertainties

The Company's financial performance is likely to be subject to the following risks:

Competition

The Company competes with numerous owners and operators in the document destruction business, some of which own or may in the future own, businesses that compete directly with the Company and some of which may have greater resources. Direct competitors to the Company include Iron Mountain Incorporated, Recall, Shred-It America, Inc., Cintas, Brinks and other small, independent mobile shredding businesses.

Negative Near-Term Cash Flow

The Company is still in its early stage of development and has not yet reached the size and scale to generate sufficient royalty and fee revenues to produce a positive cash flow from its franchise system. Accordingly, the Company may require additional capital to operate and grow so as to reach this necessary critical mass. Additionally, the Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company may be required to seek additional financing.

Franchising Strategy

The Company's business strategy involves the establishment of new Franchises. The Company may not be successful in establishing new Franchises and the failure to do so will slow the Company's growth. Furthermore, even if the Company were successful in establishing new Franchises, these new Franchises may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with terminating these Franchises or ensuring their continued operation. If the new Franchises fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

Acquisition Strategy

The Company's business strategy involves expansion through acquisitions and business development projects. These activities require the Company to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying document destruction businesses that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. Failure to complete acquisitions or developments will slow the Company's growth. The Company could also face significant competition for acquisitions and development opportunities. The Company may also require additional financing to conduct acquisitions. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire businesses.

These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company, may increase acquisition costs and may reduce demand for document destruction services in certain areas where the Company's business is located and, as a result, may adversely affect the Company's operating results.

Corporate Locations

The Company's newly acquired businesses may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with the integration of the acquired businesses. In addition, any business expansions the Company undertakes is subject to a number of risks, including, but not limited to, having sufficient ability to raise capital to fund future expansion, and having sufficient human resources to convert, integrate and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular business, the Company will make certain assumptions regarding the expected future performance of that business. If the Company's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

International Strategy

The Company's business strategy involves expansion into international markets through licensing. These activities require the Company to identify international candidates and meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying licensees that meet its licensing criteria. Failure to expand internationally will slow the Company's growth. Additionally, the international licensee under the Companies current license agreement may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with ensuring their continued growth. If the international licensee fails to perform as expected, the Company's revenues could be lower.

Currency Fluctuations

The Company's principal executive office is in Canada, all the directors and officers of the Company are Canadian and many significant expenses of the Company are in and will be for the foreseeable future in Canadian dollars, while revenues will be measured in US dollars or other currency. Accordingly, the financial results of the Company will be impacted by fluctuations in currencies and rates.

Expansion to New Markets

It is the plan of management to continue expanding the Proshred Franchise Business in the United States and internationally including areas where customers are unfamiliar with the Proshred brand. The Company will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all. Many of the United States and international markets into which management intends to expand will have competitive conditions, consumer tastes and discretionary spending patterns that differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing Franchises. Sales and profits at Franchises opened in new markets may take longer to reach expected levels or may never do so.

Litigation

The Company may become subject to disputes with employees, franchisees, customers, commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Company and the other parties. Whether or not any dispute actually proceeds to litigation, the Company may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Company's business. Any such resolution could involve the payment of damages or expenses by the Company, which may be significant. In addition, any such resolution could involve the Company's agreement to certain settlement terms that restrict the operation of its business. Further details on pending or current litigation may be found in note 10 to the 2010 audited financial statements.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates include, but are not limited to, the following:

i) Economic useful life of proprietary software system for purposes of calculating depreciation;

ii) Valuation of assets acquired in business combinations;

iii) Valuation of accounts receivable and notes receivable from franchisees;

iv) Valuation of intangible assets including purchased customer lists; and

v) Assumptions used in the measurement of stock-based compensation and the fair value of warrants.

While management applies its judgment based on assumptions believed to be reasonable under the circumstances at the time, actual results could vary from their assumptions or had different assumptions been used. The Company evaluates and updates its assumptions and estimates based on any new events occurring, additional information being obtained or more experience being acquired.

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 December 31, 2010, there were 28,884,658 issued and outstanding common shares. As at December 31, 2010 there were 1,592,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. As of April 20, 2011 there are 28,884,658 issued and outstanding common shares, 1,592,500 options to acquire common shares and 4,000,000 warrants to acquire common shares.

Governance

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators' rules and forms. Our Chief Executive Officer and Chief Financial Officer have evaluated the design and effectiveness of our disclosure controls and procedures as of December 31, 2010. They have concluded that our current disclosure controls and procedures are designed to provide, and do operate to provide, reasonable assurance that (i) information required to be disclosed by the Company in its annual filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure.

Additionally, the Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR, as that term is defined in NI 52-109. There have been no changes in the Company's ICFR during the period beginning October 1, 2010 and ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Contingencies

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

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

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

Dated: April 29, 2011