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 2009 and the consolidated financial statements for the years ended December 31, 2009 and 2008 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. The discussions in this MD&A are based on information available as at April 23, 2010.

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 breakeven levels of cash flow, which may be impacted by the number of new franchises awarded, the size of the franchise territories awarded, the growth of the system sales achieved by existing and new franchisees, the economic circumstances in the franchisees local markets and the level of corporate overhead,

(ii) franchise development or the awarding of franchises, which may be impacted by the market conditions in the United States,

(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 and the economic situation in the United States, and

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

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 Corporation.

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under Canadian 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. The system sales generated by franchisees drive the Company's royalty and information technology fee revenues.
- Same store system sales results are indicators of performance of franchisees that have been in the system for equivalent periods in 2009 and 2008.

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 Corporation as of December 31, 2009 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario.

On August 21, 2007, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta, British Columbia, New Brunswick, Nova Scotia and Ontario. The Company completed its initial public offering to raise gross proceeds of $900,000 on August 29, 2007 and had its common shares listed for trading on the TSX Venture Exchange ("TSXV") as a capital pool company ("CPC") on September 5, 2007, under the symbol KUT.P.

On March 17, 2008 the Company completed a private placement by issuing 9,615,383 common shares with gross proceeds of $5,000,002. Simultaneously, the Company also completed the acquisition of Professional Shredding Corporation ("PSC") at a cost of $3,600,000 in cash and by issuing a further 3,269,231 common shares valued at $1,700,000 to the Vendor (Professional Shredding Partnership). In addition the Company recorded $143,000 in acquisition costs relating to this transaction. This acquisition constituted Redishred's Qualifying Transaction and was approved by the TSXV. As a result, the Company is not considered a capital pool company and is now listed under the symbol KUT.

On December 23, 2009 the Company closed an equity financing of $900,007 as described below:

- a private placement equity financing with certain directors and officers of the Company for 3,000,044 common shares at a price of $0.15 per common share for gross proceeds of $450,007. No warrants were granted to this group of investors, and
- a private placement equity financing with a private investor for 3,000,000 common shares at a price of $0.15 per common share, for gross proceeds of $450,000, The Company also granted 3,000,000 warrants to this investor. The private investor also provided a $4,000,000 line of credit facility as described below:

  1. has a term of five years and an interest rate of 10% per annum,
  2. may be used for acquisitions and general corporate purposes, and
  3. the Company issued warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility.

On March 17, 2008 as a result of the acquisition of the Proshred Franchise business, the Company assumed the royalty and fee revenue streams from 17 Proshred franchise locations, which equated to 66.5 territories 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).

As of December 31, 2009 there were 17 Proshred franchise locations (see below) comprising of 69.5 territories:

Franchise Locations	**Operating since**	**Territories**
ALBANY, NY	April, 2003	1.2
SPRINGFIELD, MA	June, 2003	2.3
MILWAUKEE, WI	August, 2003	2.7
SYRACUSE, NY	March, 2004	2.5
TAMPA BAY, FL	March, 2004	2.1
DENVER, CO	August, 2004	3.8
CHARLOTTE, NC	April, 2006	3.3
PHILADELPHIA, PA	September, 2006	5.0
KANSAS CITY, MO	December, 2006	4.0
NEW HAVEN, CT	April, 2007	3.6
CHICAGO, IL	April, 2007	3.8
RALEIGH, NC	June, 2007	4.7
BALTIMORE, MD *	November, 2007	6.7
NEW YORK, NY **	January, 2008	11.3
MIAMI, FL	June, 2008	5.7
N. VIRGINIA, VA	July, 2008	3.8
ORANGE COUNTY, CA	September, 2009	3.0

** Includes Baltimore and Washington, DC*

*** Includes New York City and Long Island*

The Company continues to focus its expansion efforts by way of operating the Proshred franchising business (defined as the business of granting and managing Franchises in the United States). The Company's medium to long-term plan is to grow its business by way of both franchising and the acquisition and operation of independent document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service.

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2009 Goals and Objectives	Performance to December 31, 2009	Comments/Revised Goals
Establish between 4 and 6 new franchise locations.	One new franchisee commenced operations (Orange County, CA) during the third quarter of 2009.	• The Company did not achieve its annual goal relating to franchise locations established.
Grow same store system sales by 11% to $9.6M USD compared to 2008.	Total system sales were $9.7M USD for the full year, which is 12.1% higher than the same period last year. Same store system sales were $9.6M USD for the full year, which was 11% higher than the same period last year.	• Due to stronger service sales in the fourth quarter and an increase in the price of recycled paper the Company met same store system sales targets and exceeded overall system sales targets by 1%.
Reduce general, administrative and marketing costs by 10% versus 2008. Target for these types of costs are $900,000 for the year.	For the year ended December 31, 2009, general, administrative and marketing costs were just over $1M, including one-time costs relating to postponed or terminated acquisitions and allowances for bad debt.	• The Company did not achieve its annual goal as the company incurred a number of non recurring costs during the year, as follows: o $210,000 in professional fees and in deposits/penalties related to postponed or terminated acquisitions (including financing costs). o $67,000 in bad debt expense • After these one-time costs, normalized general, administrative and marketing costs were $799,000.

Goals and objectives for 2010

Management has set new objectives for 2010 as follows:

1. Grow system sales from existing franchisees by 14% versus fiscal 2009 to a total of $11 million
2. Establish 4 new franchise locations
3. Establish up to 2 new corporate locations by way of acquisition

Selected Financial Data and Results of Operations

The following table shows selected financial data for the past three fiscal years:

For the years ended,	December 31, 2009	December 31, 2008	December 31, 2007
Franchise territory fees	$ 139,883	$ 378.113	$ -
Royalty and service fees	828,944	597,866	-
Total Revenue	$ 968,827	$ 975,979	$ -
Operating costs:			
Salaries	1,086,066	852,149	100,000
General, administrative and marketing:			
Recurring general, administrative and marketing	798,598	844,597	56,398
One-time costs related to professional fees/penalties/deposits from terminated acquisitions	210,000	132,200	-
Bad debt expense	67,000	-	-
Operating income (loss)	(1,192,837)	(852,967)	(156,398)
Amortization	(777,540)	(623,581)	-
Interest income	12,669	39,428	18,783
Unrealized foreign currency gain (loss)	(31,334)	53,888	-
Write-down of goodwill and intangible assets	(169,001)	(300,386)	-
Loss before income taxes	(2,158,043)	(1,683,618)	(137,615)
Recovery of income taxes	(155,000)	(188,000)	-
Net income (loss)	($ 2,003,043)	($ 1,495,618)	($ 137,615)
Loss per share	(0.09)	(0.07)	(0.03)

Prior to March 17, 2008, the Company was a capital pool company and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the Company's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

From March 17, 2008 onwards, the Company has operated the Proshred franchise system, and as a result derives revenues from franchise territory fees as well as royalty and service related fees. The Company also incurs costs related to managing the Proshred system, including salaries and administration. Accordingly the fiscal 2008 year has 290 days of operating results from the Proshred franchise business versus full year's results for fiscal year 2009. Readers of this MD&A should note that the two periods are not directly comparable as a result of the purchase of the Proshred franchise business.

Total Revenues

Total revenues for the three months ended December 31, 2009 were $ 216,205.

For the three months ended,	December 31, 2009	December 31, 2008	% Change
Franchise territory fees	$ -	$ 20,716	(100.0%)
Royalty and service fees	216,205	196,838	9.8%
	$ 216,205	$ 217,554	(.6%)

Total revenues for the twelve months ended December 31, 2009 were $ 968,827.

For the twelve months ended,	December 31, 2009	December 31, 2008	% Change
Franchise territory fees	$ 139,883	$ 378,113	(63.0%)
Royalty and service fees	828,944	597,866	38.7%
	$ 968,827	$ 975,979	(.7%)

(1) Redishred Capital Corp. derives its royalty and service fee revenues based on a percentage of system sales. For the twelve month period ended December 31, 2008, Redishred included royalty and service fee revenue from March 17, 2008 onwards.

The Company derives revenues predominantly from royalties and service fees charged to franchisees, and from franchise fees that are generated when a franchise is awarded. Royalties and fees are all denominated in US dollars, and are translated at the average exchange rate for the period. The Company's revenue breakdown is as follows:

For the twelve months ended,	*Canadian $* December 31, 2009	Exchange rate	*US $* December 31, 2009
Franchise territory fees	$ 139,883	1.142	$ 122,490
Royalty and service fees	828,944	1.142	725,870
Total revenue	$ 968,827	1.142	$ 848,360

Franchise territory fees include the renewal of one existing franchisee for a new five year term that occurred during the first quarter and the new Orange County, CA franchisee that completed their mandatory franchisee training program, and commenced operations in August of 2009.

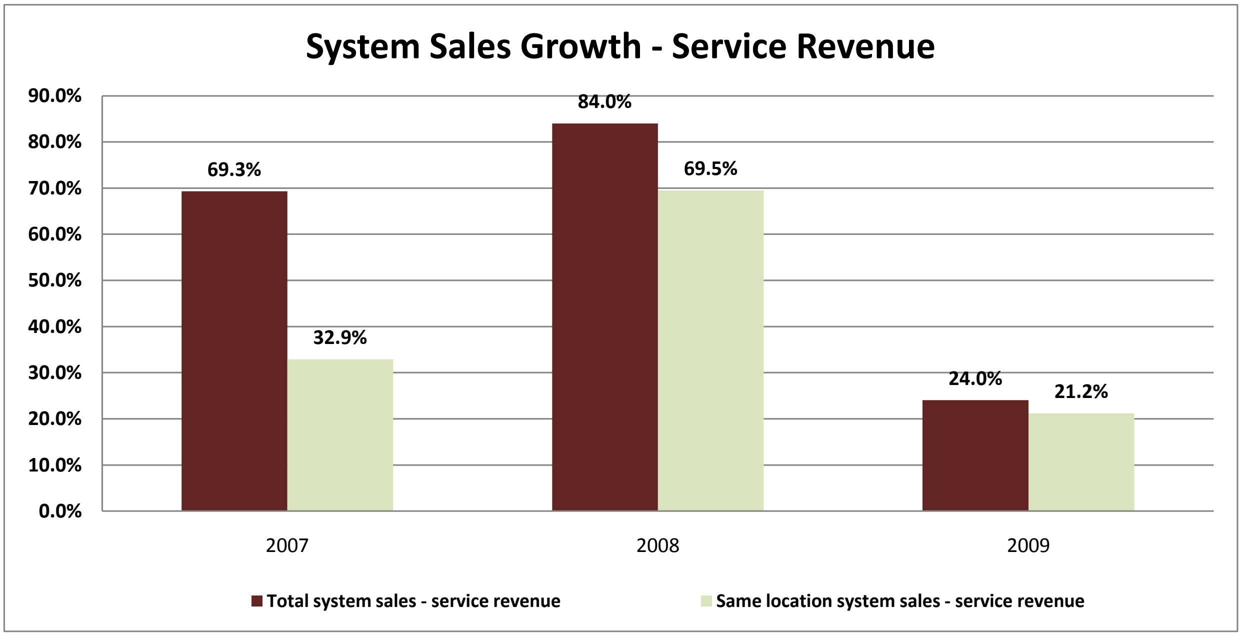
Franchisees derive revenue by providing shredding services to their customers, and by selling recycled paper and other product, these sales are commonly referred to as "system sales". System sales are the key driver of royalty and service fee revenue. System sales during the reported periods are as follows (system sales are reported and denominated in US Dollars):

Three month period ended,	December 31, 2009	December 31, 2008
Total operating locations at period-end	17 *(69.5 territories)*	16 *(66.5 territories)*
Total system sales	$ 2,685,433 USD	$ 2,182,756 USD
Total system sales	$ 2,840,947 CDN	$ 2,641,265 CDN

Twelve month period ended,	December 31, 2009	December 31, 2008[1]
Total operating locations at period-end	17 *(69.5 territories)*	16 *(66.5 territories)*
Total system sales	$ 9,662,060 USD	$ 7,344,277 USD
Total system sales	$ 11,031,367 CDN	$ 7,983,229 CDN

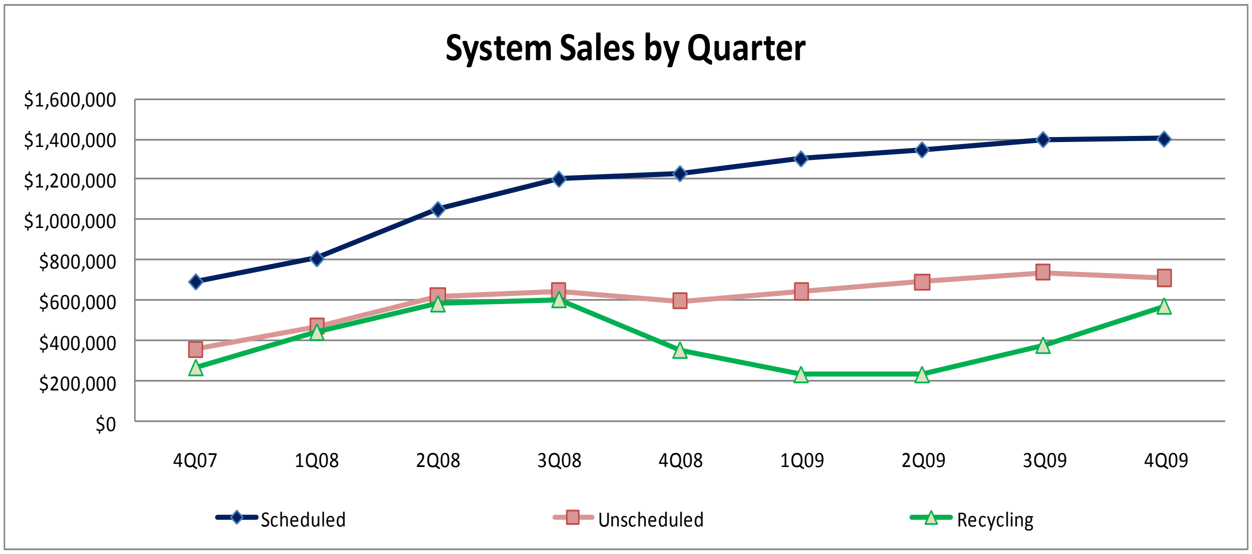
(1) System sales are shredding and destruction services revenue generated by franchised locations in operation from March 17, 2008 to December 31, 2008.

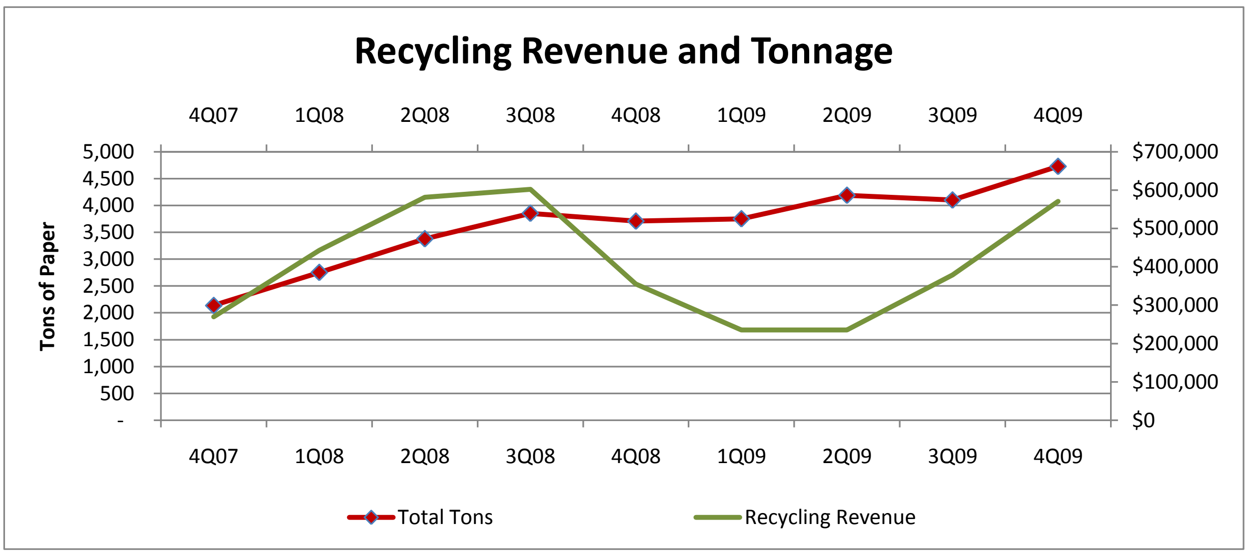
System sales data for prior years has been collected by PSC prior to the qualifying transaction that occurred on March 17, 2008. The following chart demonstrates system sales growth relating to service revenue earned (excludes recycling system sales) by the franchise system since calendar year 2007.



System Sales Quarter Over Quarter:

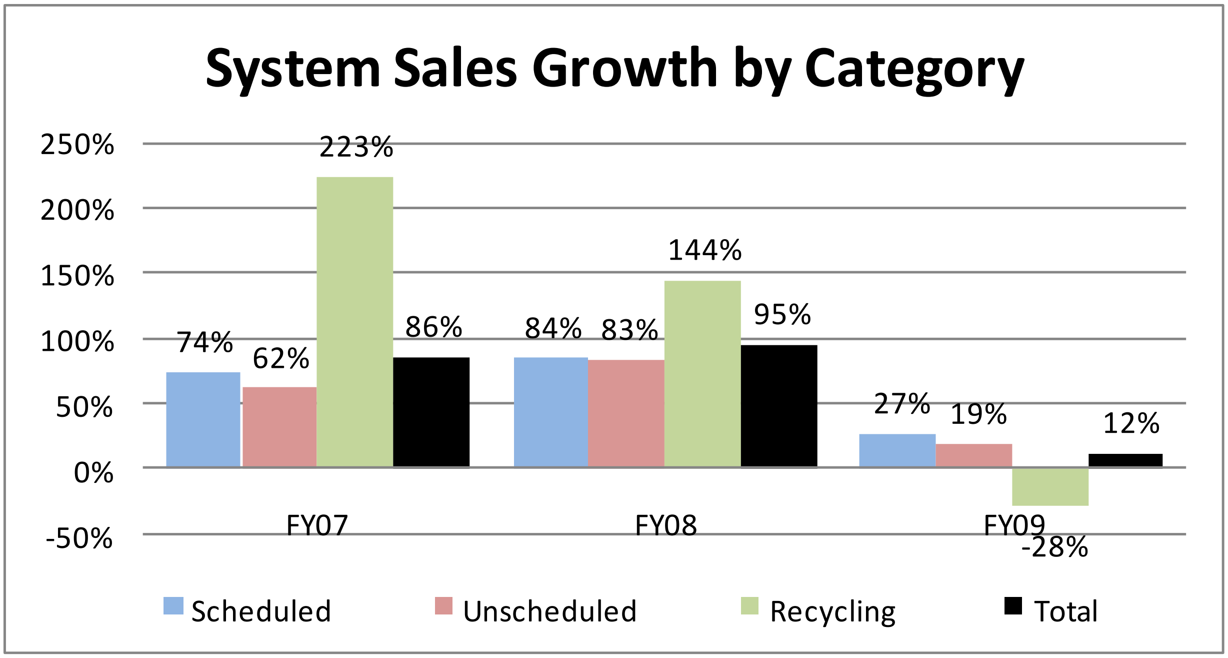
System sales are broken into three categories, scheduled, unscheduled and recycling. Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Unscheduled sales are defined as the revenue generated from customers 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. Recycling sales are defined as the revenue generated from the shredded paper that is sold to various recycling companies. The following charts show the last nine quarters of system sales by category. All three categories have seen growth commencing from the third quarter of 2007 to the third quarter of 2008. During the fourth quarter of 2008, paper prices dropped dramatically, causing a decline in recycling sales, this decline was offset by growth in scheduled sales, and by the quantity of paper recycled by the system. During the fourth quarter of 2009, scheduled system sales continued to see solid growth of 14% over the same quarter in 2008. Unscheduled sales also grew by 19% versus the fourth quarter of 2008, and recycling sales saw very strong growth and increased 61% versus the fourth quarter of 2008. As a result of the rebound in recycling sales and continued growth in shredding service sales; total system sales reached a new quarterly high in the fourth quarter of 2009. Same stores sales for this analysis has not been broken out as only one new location was opened in 2009, and their sales will not have a material impact.



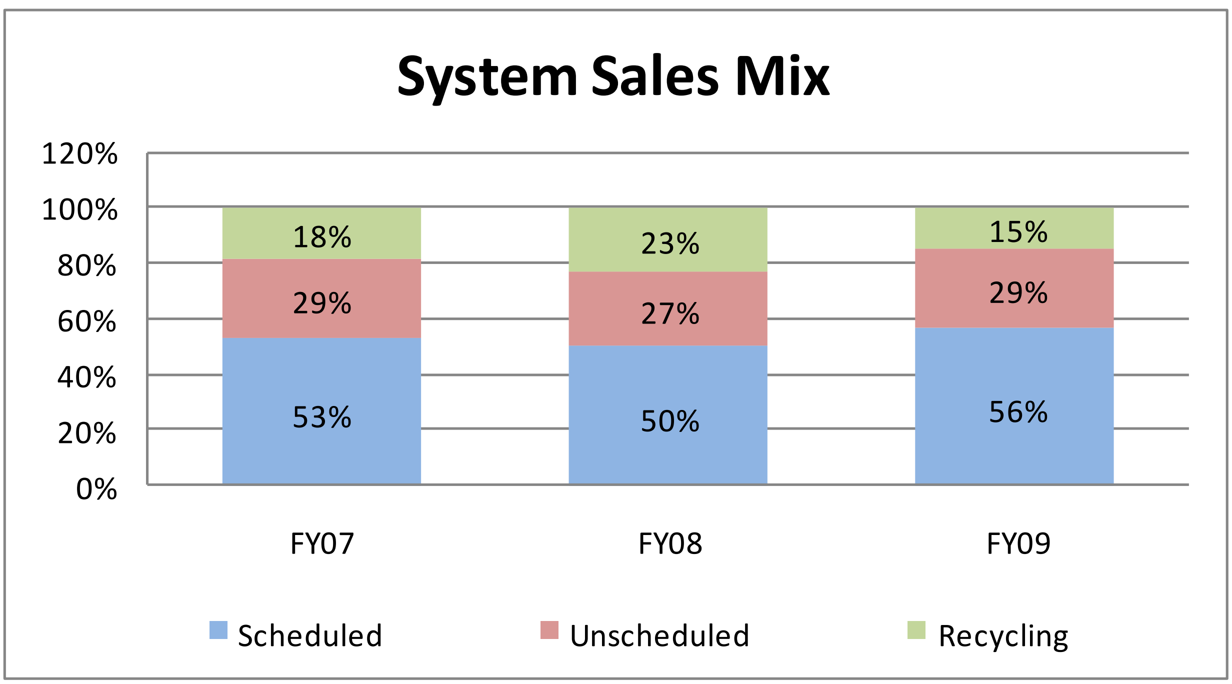


System sales mix analysis

As previously noted, system sales are broken into three categories, scheduled, unscheduled and recycling. For the fiscal year of 2009, scheduled sales grew by 27% versus the same time frame in 2008; this is due to continued focus on sales and marketing programs that are aimed at securing recurring service customers. The scheduled sales category has been impacted the least by the poor economy in the United States. Unscheduled sales during the year grew 19% over the previous calendar year as a result of increasing legislation mandating that confidential documents be destroyed on a regular annual cycle. Recycling sales declined by 28% over the previous calendar year as a result of the weakness in prices for this commodity during the first two quarters of 2009.



The mix of system sales was as follows for fiscal 2009, 56% scheduled, 29% unscheduled and 15% recycling. During 2008, paper prices experienced a significant rise and then a significant fall in the fourth quarter. As a result, in 2008 recycling sales were a larger component of the sales mix than in 2007 or for the first half of 2009. The Company views the current system sales mix as reflecting a more normalized value of commodity paper prices.



Operating Expenses

For the three months ended,	December 31, 2009	December 31, 2008	% Change
Salaries	$ 255,554	$ 361,861	(29.4%)
General, administrative and marketing	218,158	495,310	(56.0%)
	$ 473,712	$ 857,171	(44.7%)

For the twelve months ended,	December 31, 2009	December 31, 2008	% Change
Salaries	$ 1,086,066	$ 852,149	27.5%
General, administrative and marketing	1,075,598	976,797	10.1%
	$ 2,161,664	$ 1,828,946	18.2%

Operating expenses for the three months ended December 31, 2009 include expenses to support the franchise network and to develop new markets by way of franchising. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs, and management salaries and benefits. For the year ended December 31, 2009, the Company expensed $210,000 in professional fees, deposits and penalties related to terminated acquisitions (including costs related to raising financing) and $90,000 for severance packages related to the Company's cost cutting initiatives and expensed $43,000 in bad debt primarily related to financed franchise fees that have been deemed impaired. These costs are not recurring in nature.

The Company prior to March 17, 2008, operated as a CPC and only incurred costs related to regulatory and professional fees. From March 17, 2008 onward, the operating costs and results include the results of the acquired business Professional Shredding Corporation.

Operating loss

The Company posted an operating loss during the three months ended December 31, 2009, as the Company has not attained a breakeven level of royalty revenue and there were no new franchises added to the system during the quarter. The operating loss for the three months and twelve months ended December 31, 2009 and 2008 was as follows:

For the three months ended,		December 31, 2009		December 31, 2008	% Change
Operating income (loss)	$	(257,507)	$	(668,455)	61.5%

For the twelve months ended,		December 31, 2009		December 31, 2008	% Change
Operating income (loss)	$	(1,192,837)	$	(852,967)	(39.8%)

Foreign currency

Foreign currency loss for the twelve months ended December 31, 2009 and 2008 was as follows:

For the twelve months ended,		December 31, 2009		December 31, 2008	% Change
Foreign currency gain (loss)	$	(31,334)	$	53,888	(158.1%)

The loss during the fiscal year ended December 31, 2009 resulted from the translation of a U.S. dollar intercompany receivable between PSC and its American subsidiary Proshred Franchising Corp. All of Redishred's revenues are denominated in US Dollars; this dependency on US dollar revenues causes foreign exchange losses when the Canadian Dollar strengthens versus the US Dollar

Write-down of intangible assets

Intangible assets with a finite life are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. When the undiscounted cash flows of the assets are less than the carrying value of the asset, a write-down is required. One franchisee ceased operations which materially impacted the future cash flows to be generated from the individual franchise agreement. The company assessed the agreement for impairment and recorded a write-down of intangible assets of $169,001 as a result of the impairment.

Interest income

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.

For the three months ended,	December 31, 2009	December 31, 2008	% Change
Interest income	$ 2,013	$ 10,592	(81.0%)

For the twelve months ended,	December 31, 2009	December 31, 2008	% Change
Interest income	$ 12,669	$ 39,428	(67.9%)

Depreciation and Amortization

Depreciation and amortization during the three months and twelve months ended December 31, 2009 are attributed to the assets, software, and intangible assets purchased on March 17, 2008 and thereafter. Prior to March 17, 2008 the Company did not own any depreciable assets.

For the three months ended,	December 31, 2009	December 31, 2008	% Change
Depreciation and amortization	$ 217,072	$ 145,933	48.7%

For the twelve months ended,	December 31, 2009	December 31, 2008	% Change
Depreciation and amortization	$ 777,540	$ 623,581	24.7%

Income Tax

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC and PFC. During the twelve months ended December 31, 2009 the Company booked a tax recovery of $155,000. 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 is not currently taxable.

Net Loss

For the three months ended,	December 31, 2009	December 31, 2008	% Change
Net loss	$ 534,248	$ 897,251	(40.5%)

For the twelve months ended,	December 31, 2009	December 31, 2008	% Change
Net loss	$ 2,003,043	$ 1,495,618	33.9%

Summary of Quarterly Results

Prior to March 17, 2008, the Company was a CPC and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the Company's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

As previously noted, on March 17, 2008 the Company purchased PSC which owned the intellectual property associated with the brand name Proshred and assumed the franchise agreements for 17 franchisees that were operating in the United States. As of March 17, 2008 the Company's new revenue sources included (1) royalties and service fees relating to the use of the systems and brand Proshred and (2) franchise fees relating to the award of new territories to new or existing franchisees.

The Company's royalty revenue and fee stream is not highly seasonal as the shredding services provided by franchisees tend to be recurring in nature.

	2009				2008			
(in CDN except where noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
			$	$	$	$	$	$
System sales *(USD)*	2,685,433	2,516,869	2,275,612	2,184,145	2,182,756	2,451,518	2,257,786	452,936
Franchise territory fees	--	118,131	-	21,752	20,716	324,093	31,437	1,867
Royalty and service fees	216,205	208,857	200,175	203,707	196,838	196,467	169,861	34,700
Total revenue	216,205	326,988	200,175	225,459	217,554	520,560	201,298	36,567
Interest income	2,013	1,702	2,122	6,832	10,591	7,344	10,533	10,960
Operating income (loss)	(257,507)	(121,067)	(522,471)	(291,792)	(668,455)	67,266	(188,169)	(63,609)
Basic and diluted operating income (loss) per share	(.01)	(.01)	(.02)	(.01)	(.03)	.01	(.01)	(.01)
Net income (loss)	(534,248)	(319,428)	(751,641)	(397,726)	(897,251)	(217,742)	(372,857)	(7,768)
Basic and diluted net income (loss) per share	(.03)	(.01)	(.03)	(.02)	(.04)	(.01)	(.02)	(.00)

2009

In the fourth quarter, system sales grew by 6.7% over the third quarter, however royalty and service fees increased by 2.8% due to the strengthening of the Canadian dollar versus the US Dollar during the quarter. The Company has also continued to focus on cost cutting programs and efficiencies at the national support centre in Mississauga, and this has led to further reductions in general and administrative costs. In the fourth quarter the Company wrote down its intangible assets by $169,001 reflecting the impairment in value of one suspended franchise agreement.

In the third quarter, system sales grew by 10.6% over the second quarter, however royalty and service fees increased by only 4.3% due to the strengthening of the Canadian dollar during the quarter. The Company opened the Orange County, CA franchise, which accounts for the franchise fee earned during the quarter of $121,569. The Company also continued its cost cutting programs at the national support centre, which has resulted in a reduction in both salary and general and administrative costs.

In the second quarter, system sales grew by 4.2% over the first quarter, however royalty and service fees fell 1.7% due to the strengthening of the Canadian dollar during the quarter. The Company expensed $90,000 in severance pay related to reducing its head count; $111,213 in legal costs and penalties relating to terminated acquisitions.

During the first quarter, system sales and as a result royalty and service fee revenues were identical to the fourth quarter of 2008 in U.S. Dollars. The 3.5% increase in royalty and service fees in Canadian dollars is a result of a weakening Canadian currency in relation to the U.S. dollar. The Company expensed $77,500 in legal expenses and penalties relating to deposits and penalties on terminated acquisitions.

2008

In the fourth quarter, royalty and service fee revenue decreased slightly in U.S. dollars, versus the third quarter, as system sales in our franchised locations felt the impacts of the current poor economic conditions and the significant decrease in paper prices. The impact of the slight drop in royalty and fee revenue was offset by a weaker Canadian dollar, resulting in royalty and fee revenues remaining stable versus the third quarter. Operating costs increased in the fourth quarter driven by increased legal costs relating to acquisition opportunities that were being re-negotiated and/or terminated, and due to the expensing of non-refundable deposits relating to acquisition transactions that were not completed. In the fourth quarter the Company wrote down its goodwill balance to nil, expensing $300,386.

During the third quarter, the Company awarded 8.8 franchise territories to existing franchisees in the New York and Washington, DC markets and renewed one existing franchise agreement. Furthermore, royalties continue to increase as system sales in our franchised locations continue to grow versus the second quarter of this year and versus prior year results. Operating costs increased in the third quarter versus the second quarter and were driven by increased legal costs relating to acquisitions that were postponed and a onetime broker commission relating to the award of 3 territories in the Washington, DC market. Operating income in the third quarter, as a result of the franchising activity, was $67,266 versus a loss in the second quarter.

During the second quarter, the Las Vegas franchisee closed operations and paid a one-time termination fee of $25,000 that is included in the franchise fees. The Las Vegas franchisee was unable to obtain ongoing financing due to the deteriorating real estate market in the Las Vegas market and due to the credit crisis in the United States. The impacts of this closure were immaterial to system sales and royalties as the business was in its early formative stages.

During the first quarter, the franchise system had $452,936 in system sales; as a result, the Company earned $34,700 in royalty and service fees from March 17, 2008 to March 31, 2008 and incurred operating costs relating to salaries, rents and marketing for the same period. Prior to 2008 the Company was a CPC with no operations.

Balance Sheet

As at,	December 31, 2009	December 31, 2008	December 31, 2007
Working capital	$ 1,119,960	$ 1,583,499	$ 1,327,821
Total assets	6,279,555	8,095,233	1,461,958
Total liabilities	986,021	1,390,638	134,137

The Company issued no dividends during the year.

Financial Condition / Capital Resources

As of December 31, 2009, the Company has working capital of $1,119,960.

The Company monitors its cash balances and cash flows generated from operations to meet 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 in 2010. The Company has no long term debt in place at this time. The accounts payable, accrued liabilities and income taxes payable of $340,021 at December 31, 2009 (December 31, 2008 - $466,638) are due to be settled within one year from the balance sheet date.

On December 23, 2009 the Company closed an equity financing of $900,007 as described below:

- a private placement equity financing with certain directors and officers of the Company for 3,000,044 common shares at a price of $0.15 per common share for gross proceeds of $450,007. No warrants were granted to this group of investors, and
- a private placement equity financing with a private investor for 3,000,000 common shares at a price of $0.15 per common share, for gross proceeds of $450,000, The Company also granted 3,000,000 warrants to this investor. The private investor also provided a $4,000,000 line of credit facility as described below:
  1. the line of credit has a term of five years and an interest rate of 10% per annum,
  2. the line of credit may be used for acquisitions and general corporate purposes, and
  3. the Company issued warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility.

It is management’s plan to continue its core business strategy of franchising new locations in the United States, while simultaneously using the line of credit financing to fund acquisitions in a select number of cities in the United States. The Company estimates that it will be necessary to award 12 new franchise locations over the next 24 months in order to achieve a breakeven level of cash flows from its franchise business. 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 operating lease commitments:

Current	$ 122,968
One to three years	$ 338,162
Total	$ 461,130

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies

Please refer to the 2009 Audited Financial Statements for a full listing of all accounting policies. The following outline recent changes in accounting policies and future changes in accounting policies which may have an impact on the Company's future disclosures.

Changes in accounting policies and new accounting pronouncements

Effective January 1, 2009, the Company has adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Section 3064 - Goodwill and Intangible Assets

This Section replaces Section 3062 - Goodwill and Other Intangible Assets; and Section 3450 - Research and Development Costs. This new Section establishes standards for the recognition, measurement and disclosure of goodwill and other intangible assets. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2009. The adoption of this section did not have a significant impact on the Company's financial results.

EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities

On January 20, 2009 the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not have significant impact the Company's financial statements.

Section 3862 – Financial Instruments – Disclosures

In December 2009, the Company adopted amendments to Section 3862, Financial Instruments – Disclosures which requires enhanced disclosures on liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments.

Recent accounting pronouncements issued and not yet adopted

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new section apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections

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. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company has identified the following major differences between its current accounting policies and those required or expected to apply in preparing IFRS financial statements.

Revenue Recognition

Current accounting policy:

The Company earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period and from royalties and service fees paid by franchisees as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has paid the initial franchise fee and has fully executed a franchise agreement and has provided the prescribed training. Royalties and service fees revenue is accrued monthly based on sales reported by franchisees. Interest income on notes receivable from franchisees is recognized in the month earned.

Expected IFRS accounting policy:

No significant changes have been identifies from the Company’s current accounting policy.

Income Taxes

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 assets and liabilities as a result of changes to the subsidiary enacted 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:

The Company has not finalized analyzing the impact of IAS 12 *Income taxes* with respect to the accounting for income taxes.

Impairment of Long-Lived Assets

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.

The Company will adopt this revised accounting policy on transition to IFRS.

Equipment and amortization

Current accounting policy:

Equipment is carried at cost. Amortization is provided for over the estimated useful lives on a straight line basis as follows:

Computer equipment	over two years, straight-line basis
Computer software	over three years, straight-line basis
Furniture and fixtures	over three years, straight-line basis

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.

Foreign exchange

Current accounting policy:

The Company's subsidiaries operate autonomously as self-sustaining companies. The functional currency of the Company's foreign subsidiary, Proshred Franchising Corp., is the US dollar. Assets and liabilities of this subsidiary 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 is currently assessing the impact of any cumulative translation differences related to the Company's Franchise Agreement asset and Future Income Tax liability at the transition date prior to determining whether it will elect to apply this first time adoption option.

Stock based compensation

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.

The Company has not finalized analyzing the impact of IAS 2 *Share Based Compensation* with respect to the accounting for stock based compensation.

Summary of the IFRS changeover plan

The plan addresses the impact if 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 will continue to progress towards the quantification of the identified differences and choices throughout 2010.
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 will upgrade current financial systems in the first half of 2010; The Company has commenced data capture and will complete this task by the fourth quarter of 2010; The Company will address the method of dual record keeping by the end of the first quarter reporting period.

	Key Activities	Status
Business activities: Financial covenants	Identification of impact on financial covenants and business practices; Completion of any required renegotiations/changes by the third quarter of 2010.	The Company is in the process of analyzing the contractual implications of IFRS on any financing relationship and other arrangements.
Business activities: Compensation arrangements	Identification of impact on compensation arrangements; Assessment of required changes by the third quarter of 2010.	The Company is in the process of analyzing any compensation policies that rely on indicators derived from the financial statements.
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; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to ICFR.
Control activities: Disclosure control and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedure ("DC&P") design and effectiveness implications; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to DC&P.

Transactions with Related Parties

Mr. Mark MacMillan, a director of the Company, is the owner of the Tampa Bay, FL Proshred franchise. Included in accounts receivable at December 31, 2009, is $383 (December 31, 2008 - $1,831) due to Mr. MacMillan's franchise. During the three months ended December 31, 2009, the Company earned royalty and service fees amounting to $15,013 (2008 - $15,210), during the year ended December 31, 2009, the Company earned royalty and service fees amounting to $68,689 (2008 - $45,916) from Mr. MacMillan's franchise.

Included in general, administrative and marketing expense for the twelve months ended December 31, 2009 are insurance premiums amounting to $16,879 (December 31, 2008 - $14,679) paid to Alfred J. Bell & Grant Ltd, a company owned by Mr. Phillip Gaunce, a director of the Company.

On December 23, 2009 the Company issued to certain existing shareholders who are directors and officers of the Company 3,000,044 common shares at a price of $0.15 per common share for additional gross proceeds of $450,007, with no warrants. The following lists the directors and officers who participated in this transaction:

Name	Title	Common shares issued
Robert Crozier	Chief Executive Officer and Director	462.971
Philip Fraser	Director	351,859
Phillip Gaunce	Director	462,967
Jeffrey Hasham	Chief Financial Officer and Secretary	185,193
James Lawley	Director	462,971
Robert Kay	Director	444,444
Mark MacMillan	Director	166,668
Robert Richardson	Director	462,971
		3,000,044

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 in the near-term 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. 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.

In addition, even if the Company were successful in identifying suitable acquisitions or development projects, 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 acquisitions, 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.

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 will be 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, including into 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 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, 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.

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, 2009 and as at the date hereof, there were 28,884,658 issued and outstanding common shares. As at December 31, 2009 there were 1,673,349 options to acquire common shares and 3,000,000 warrants to acquire common shares. As of April 8, 2010 there are 28,884,658 common shares, and 1,673,349 options to acquire common shares.

Dated: April 23, 2010