Table of Contents

Business Overview

Redishred Capital Corp. was founded in 2006 with the purpose to acquire and grow a business platform in the information destruction and security industry. In 2008, Redishred acquired Professional Shredding Corporation and its primary assets which included the Proshred system and brand, including 16 franchised locations.

The Company is headquartered in Mississauga, Ontario, Canada and operates the Proshred franchise and licence business (defined as the business of granting and managing franchises in the United States and by way of a master license arrangement in the Middle East) as well as operates corporate shredding locations directly. In the first half of 2019, the Proshred system achieved USD$23 million in System Sales (USD$16 million through franchised/licensed locations and USD$7 million through the corporately owned locations).

Basis for Presentation

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated interim financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the all pertinent information, this MD&A should be read in conjunction with material contained in the Company's unaudited consolidated interim financial statements for the three and six months ended June 30, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). With the adoption of IFRS 15 for the year ended December 31, 2018, the Company has restated the comparative information in accordance with this standard. The Company also adopted IFRS 16 – Leases effective January 1, 2019 using the modified retrospective approach with practical expedients, which do not require the restatement of prior period financial information. The Company's presentation currency is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which it operates. Additional information on Redishred, including these documents and the Company's 2018 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at August 20, 2019.

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, analysis and commentary in this document reflect 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 and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due, which may be impacted by:

   a. the growth of the system sales achieved by existing and new locations,
   b. the growth of sales achieved in corporate locations,
   c. the economic circumstances in certain regions of the United States,
   d. the level of corporate overhead,
   e. number and size of acquisitions,
   f. the ability to realize efficiencies from acquired operations,
   g. the exchange rate fluctuations between the US and Canadian dollar,
   h. the outcome of potential litigation,

(ii) anticipated system sales, royalty revenue and corporate location 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 and corporate security issues;

(iii) recycling revenues may be impacted by commodity paper prices which will vary with market conditions both in the United States and Internationally;

(iv) the anticipated corporate results which may be impacted by the ability of the Company to achieve the anticipated sales and efficiencies; and by the performance of the local economies;

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

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

(vii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms; and

(viii) the ability to continue to meet the Company's financial covenants it has with its banking institution.

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

Non-IFRS Financial Measures

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

- **Total System Sales** are revenues generated by franchisees, licensees and corporately operated locations. The system sales generated by franchisees and licensees drive the Company's royalties. The system sales generated by corporate locations are included in the Company's revenues.

- **Shredding System Sales** are revenues generated from customers with regular recurring service referred to as scheduled sales and revenues generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding sales do not include recycling sales.

- **Same Location** for system sales, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in 2019 and 2018.

- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead. A reconciliation between net income and consolidated EBITDA is included on page 25.

- **Consolidated Operating Income** is defined as revenues less all operating expenses, depreciation related to the tangible assets. Amortization for intangible assets has not been included in this calculation. A reconciliation between net income and consolidated operating income is included on page 25.

- **Consolidated Operating Income less Net Interest Expense** is defined as consolidated operating income including interest income and expense. A reconciliation between net income and consolidated operating income less net interest expense is included on page 25.

- **Corporate Location EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead generated by corporately operated locations.

- **Corporate Location Operating Income** is the income generated by corporately operated locations. The operating income generated is inclusive of depreciation on tangible assets, including trucks, right of use assets and secure collection containers. It does not include amortization related to intangibles assets, allocations for corporate overhead or interest expense.

- **Margin** is the percentage of revenue that has turned into EBITDA or operating income. Margin is defined as EBITDA or operating income divided by revenue.

Adoption of IFRS 16

During Q1-2019, the Company adopted the new accounting standard IFRS 16 – Leases, effective January 1, 2019. IFRS 16 eliminates the classification of an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. As a result, the Company recognized an increase to both assets and liabilities on its Consolidated Statements of Finance Position. From the Statement of Comprehensive (Loss) Income perspective, the lease rental expense under the old standard has now been replaced with a charge to depreciation and amortization and interest expense.

The Company adopted IFRS 16 using the modified retrospective approach using practical expedients, as permitted, which do not require the restatement of prior period financial information.

For leases that were classified as operating leases under IAS 17, lease liabilities and right-of-use assets have been recognized. The right-of-use assets have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid rent related to that lease. The lease liabilities have been measured at the present value of the remaining lease payments, discounted at the related incremental borrowing rate as at the prevailing rate.

Key Performance Indicators ("KPIs")

Management measures Redishred's performance based on the following KPIs:

1. System sales growth – management expects to achieve increases in system sales, which drive the Company's royalties and corporate location revenues.

2. EBITDA growth and margin – management uses this performance measure to assess both the Company's performance and the corporate locations' performance. Management is focused on growing the consolidated Company EBITDA and the corporate locations' EBITDA.

3. Consolidated Operating Income increases – this measure considers Redishred's ability to increase its operating income and includes depreciation on tangible assets, including trucks and right-of-use assets.

4. Corporate location operating income growth – management's expectation is to grow operating income generated by the corporate locations as it drives the Company's cash flow.

5. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by our lenders, this measure considers Redishred's ability to pay both interest and principal on outstanding debt. The Company normalizes the ratio for non-cash stock-based compensation expense. Management is focused on increasing this ratio, as generally, the higher the fixed charge coverage ratio, the lower the credit risk.

6. Normalized Total Funded Debt to EBITDA Ratio – this measures Redishred's leverage and its ability to pay all outstanding debt and assesses the Company's financial health and liquidity position. The Company normalizes the ratio for non-cash stock-based compensation expense. Management's goal is to continue to reduce this ratio which is an indicator that the Company has sufficient funds to meet its financial obligations.

Financial and Operational Highlights

The following table outlines Redishred's key IFRS and non-IFRS measures:

(in $000's except as noted)

For the six months ended June 30,	**2019**	2018	*% change*
System Sales Performance – in USD			
Total locations in the United States	**30**	29	*3%*
System sales	**$22,890**	$19,198	*19%*
Percentage scheduled	***47%***	*46%*	
System sales – same location	**$21,448**	$19,198	*12%*
Percentage scheduled	***48%***	*47%*	

For the six months ended June 30,	**2019**	2018 (restated)	*% change*
Consolidated Operating Performance – in CAD			
Revenue	**$10,773**	$6,738	*60%*
EBITDA	**$3,311**	$1,755	*89%*
EBITDA margin	***31%***	*26%*	*5%*
Operating income	**$2,067**	$1,235	*67%*
Operating Income margin	***19%***	*18%*	*1%*
Operating income per weighted average share fully diluted	**$0.030**	$0.025	*20%*

For the six months ended June 30,	**2019**	2018	*% change*
Corporate Location Performance – in CAD			
Revenue	**$9,341**	$5,431	*72%*
EBITDA	**$3,427**	$2,202	*56%*
EBITDA margin	***37%***	*41%*	*(4)%*
Operating income	**$2,266**	$1,694	*34%*
Operating income margin	***24%***	*31%*	*(7)%*

As at June 30 and December 31,	**2019**	2018	*% change*
Capital Management – in CAD			
Working capital	**$2,928**	$7,288	*(60)%*
Debt to total assets ratio	**0.45**	0.29	*(55)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**2.51**	1.94	*29%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.55**	1.69	*(51)%*

(1) Certain amounts have been reclassified to conform to the current period's presentation.

Summary of Results and Operations

Stronger System Sales driving both Royalty and Corporate Location Revenue

System sales increased due to the Company's continued focus on providing recurring scheduled service to small and medium sized enterprise clients. In addition, the Company continued to invest in marketing initiatives designed to capture one-time unscheduled revenue.

During the first half of 2019 Redishred's System Sales growth over the first half of 2018 was as follows:

Total System Sales increased by 19% (Same Locations 12%)

By Service Type:	By Location Type:
Scheduled (recurring) increased by 21% (Same Locations 15%)	Franchise location system sales increased by 17% (Same Locations 17%)
Unscheduled increased by 21% (Same Locations 10%)	Corporate location system sales increased by 72% (Same Locations 9%)
Recycling increased by 13% (Same Locations 7%)	

Corporate Location EBITDA

During the first half of 2019, EBITDA growth over the first half of 2018, after adjusting for the IFRS 16 accounting standard change was as follows:

Total locations:	*Same locations:*
EBITDA in USD increased by 38%	EBITDA in USD decreased by 13%

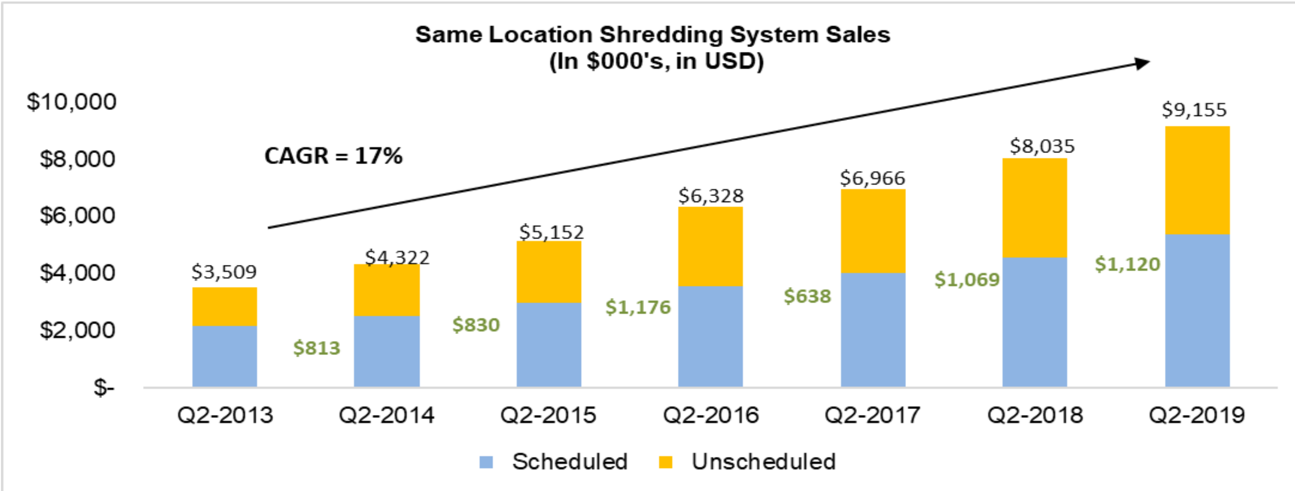
EBITDA margins for both total and same locations were 34% for the first half of 2019 in comparison to 41% for the first half of 2018. Refer to page 19 for additional information on the performance of the corporate locations.

Consolidated EBITDA and Operating Income

During the first half of 2019, the Company's consolidated EBITDA and operating income grew 69% and 66% respectively, over the first half of 2018, after adjusting for the IFRS 16 accounting standard change. The significant growth was due to the Kansas acquisitions conducted on January 31, 2019 and the three acquisitions conducted in 2018. The acquisitions led to a 2% increase in consolidated EBITDA margin as corporate overhead costs did not increase.

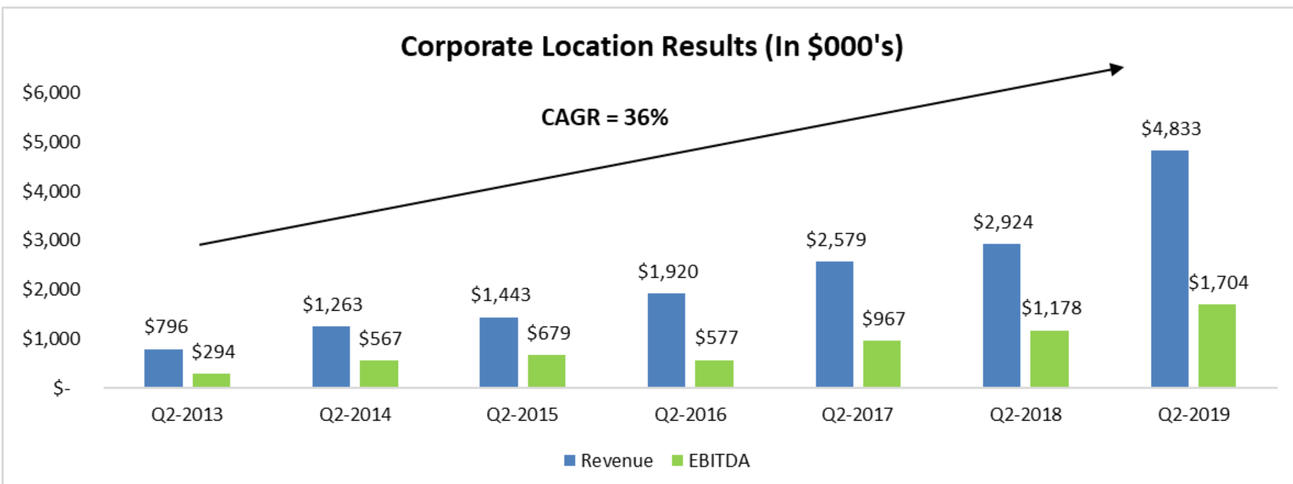
In the first half of 2019, the Canadian dollar depreciated over the US dollar relative to the first half of 2018 which resulted in a 4% increase in the average exchange rate used year over year. This depreciation in the Canadian dollar also contributed 7% to the growth in the consolidated EBITDA.

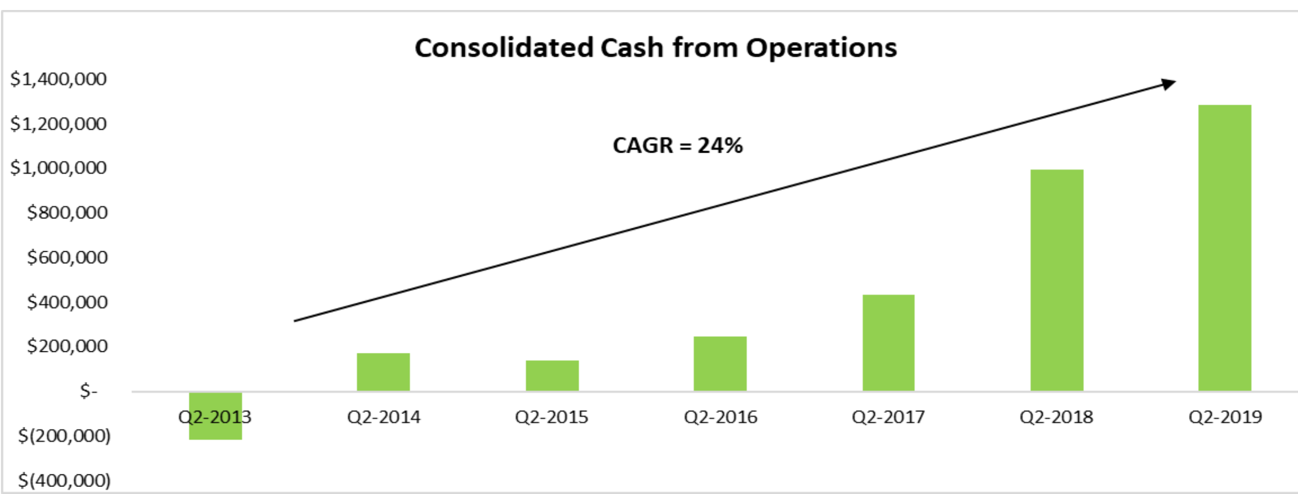
In $000's For the six months ended June 30,	**2019 As reported**	**IFRS 16 adjustments**	**Proforma excluding IFRS 16 adjustments**	2018 As reported	*% change*
Consolidated Operating Performance – in CAD					
Revenue	**$10,773**	**-**	**$10,773**	$6,738	*60%*
EBITDA	**$3,311**	**$(339)**	**$2,972**	$1,755	*69%*
As a percentage of revenue	***31%***		***28%***	*26%*	*2%*
Operating Income	**$2,067**	**$(20)**	**$2,047**	$1,235	*66%*
As a percentage of revenue	***19%***		***19%***	*18%*	*1%*



Note (1): The above green figures refer to the year over year growth in same location shredding system sales.

Note (2): Compound Annual Growth Rate ("CAGR") refers to the growth rate of revenue, EBITDA or cash if it had grown the same rate every year. CAGR is the average annual growth rate over a period of time.





Company Strategy

The Company's strategy is to:

1. Expand the location footprint in North America by way of both franchising and accretive acquisitions.

2. Maximize same location revenue (in particular scheduled sales) and earnings for franchisees and corporate locations.

3. Drive depth of service and earnings in existing locations by way of conducting smaller accretive acquisitions.

Expanding the Location Footprint

The Company has a twofold approach to footprint growth:

(a) Utilizing a franchise model. This model provides Redishred with royalty and service fee income in exchange for an exclusive service and marketing area. The Company has and continues to provide various support programs to its franchisees to drive both their revenue and earnings.

(b) Utilizing an acquisition model. The Company has a program in place to acquire independent shredding operations in adjacent and available markets. During the six months ended June 30, 2019, the Company acquired the assets of the Proshred Kansas City franchise and Secure E-Cycle for a total purchase price of CAD$11M (USD$7.9M), including contingent consideration.

The Company's North American locations are as follows:

Number	Franchised Location	Markets Serviced	Operating Since
1.	Springfield, MA	Western Massachusetts including western Boston suburbs	June 2003
2.	Tampa Bay, FL	Tampa Bay, Clearwater, St. Petersburg, Sarasota, Lakeland and Orlando	March 2004
3.	Denver, CO	Greater Denver area	August 2004
4.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006
5.	New Haven, CT	State of Connecticut	April 2007
6.	Chicago, IL	Greater Chicagoland area	April 2007
7.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
8.	Baltimore, MD	Baltimore and Washington, DC	November 2007
9.	Orange County, CA	Orange County	September 2009
10.	San Diego, CA	San Diego	October 2010
11.	Indianapolis, IN	Greater Indianapolis area	June 2011
12.	Atlanta, GA	Greater Atlanta area	January 2012
13.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
14.	Dallas, TX	Dallas and Fort Worth	March 2012
15.	Houston, TX	Greater Houston area	November 2012
16.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013
17.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
18.	Seattle, WA	Seattle and Tacoma	October 2013
19.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
20.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
21.	St. Louis, MO	Greater St. Louis area	August 2016

Number	Corporate Location	Markets Serviced	Operating Since[1]	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004	May 2010
		Buffalo and Rochester	October 2017	October 2017
		Watertown	April 2018	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003	July 1 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Bergin County, NJ, Staten Island and Long Island	January 2008	January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003	January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008	January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006	July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008	April 2017
8.	North New Jersey, NJ	All counties north of Middlesex county	June 2005 (operated as Safe Shredding)	October 1, 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006	February 2019

Maximize Same Location Revenue and Earnings

Management will focus on three key areas to drive same location revenue and earnings:

(1) maximizing shredding system sales and earnings for franchisees and corporate locations on existing routes with a goal to achieving a shredding system sales mix of 70% scheduled sales;
(2) enhancing inbound and outbound marketing and sales processes and;
(3) deployment of technology to reduce administrative tasks and driver strong route profitability.

Redishred and its franchisees continue to invest in trucks, marketing and sales initiatives as well as human resources to maximize the outcome in our three key areas of performance. Over the last 6 years, Redishred has seen an average increase of 18% in system revenue (excluding recycling revenue), and an average increase of 22% in same corporate location EBITDA. This has led to continued growth in consolidated cash flow from operations.

Driving Depth in existing Corporate Markets

Redishred's plan is to acquire shredding businesses in existing and adjacent markets that lead to the following outcomes:

1. Increase our market share in existing corporate locations.
2. Generate strong route densities driving stronger route operating income.
3. Minimize risk of client service issues by having increased access to trucks in nearby markets.
4. Maximize the utilization of centralized services in our head office.

Performance Compared to 2019 Targets(1)

Growth of Same Location Shredding System Sales:	
2019 Target(2)	Growth of 10% to $34M USD.
Q2-2019 YTD Performance **On Target**	Redishred's same location shredding system sales grew by 13% over the first half of 2018, achieving $17.5M USD.

Consolidated EBITDA and Operating Income from same locations:	
2019 Target	Attain EBITDA of $3.5M from same locations, growing by 14% over 2018 EBITDA. Attain operating income of $2.1M from same locations, growing by 11% over 2018 operating income. This does not include the North New Jersey results as the acquisition was completed on October 1, 2018 or the Kansas results as the acquisition was completed on January 31, 2019.
Q2-2019 YTD Performance **Not on Target**	During the first half of 2019, Redishred earned $1.7M in EBITDA from same locations, declining 1% over the first half of 2018. Operating income from same locations for the first half of 2019 was $1.1M, declining 7% over the same comparative period. The decline in commodity paper prices of 21% in Q2-19 over Q2-18 resulted in a $132,000 decline in recycling revenue. Refer to page 19 and 30 for further details. A revised target has not been provided due to the volatility of the paper markets.

EBITDA and Operating Income from acquired operations:	
2019 Target	Attain EBITDA margin of at least 35% and operating income margin of 27% prior to transition and acquisition costs.
Q2-2019 YTD Performance **Expected to be On Target**	During the 1st half of 2019, the EBITDA margin for acquired operations was 40% and operating income margin was 26%.

Franchise Development:	
2019 Target	Award one new franchise in the United States.
Q2-2019 YTD Performance **Not on Target**	The Company did not award any new franchise locations during the first half of 2019. Redishred is actively pursuing franchise opportunities in open markets.

Expand by way of Accretive Acquisitions:	
2019 Target	Conduct between $7M and $10M of acquisitions. The Company has revised the target to $15M of acquisitions.
Q2-2019 YTD Performance **Expected to be On Target**	During the first half of 2019, the Company conducted $11M in acquisitions with the purchase of the Proshred Kansas City and Secure E-Cycle businesses. Redishred continues to identify and market to acquisition targets in the United States.

(1) The performance targets do not include the IFRS 15 and IFRS 16 adjustments and therefore include an imputed operating lease charge.
(2) The same location shredding system sales have been restated from $43.7M reported in Q4-2018 which represent the Company's target for total system sales.

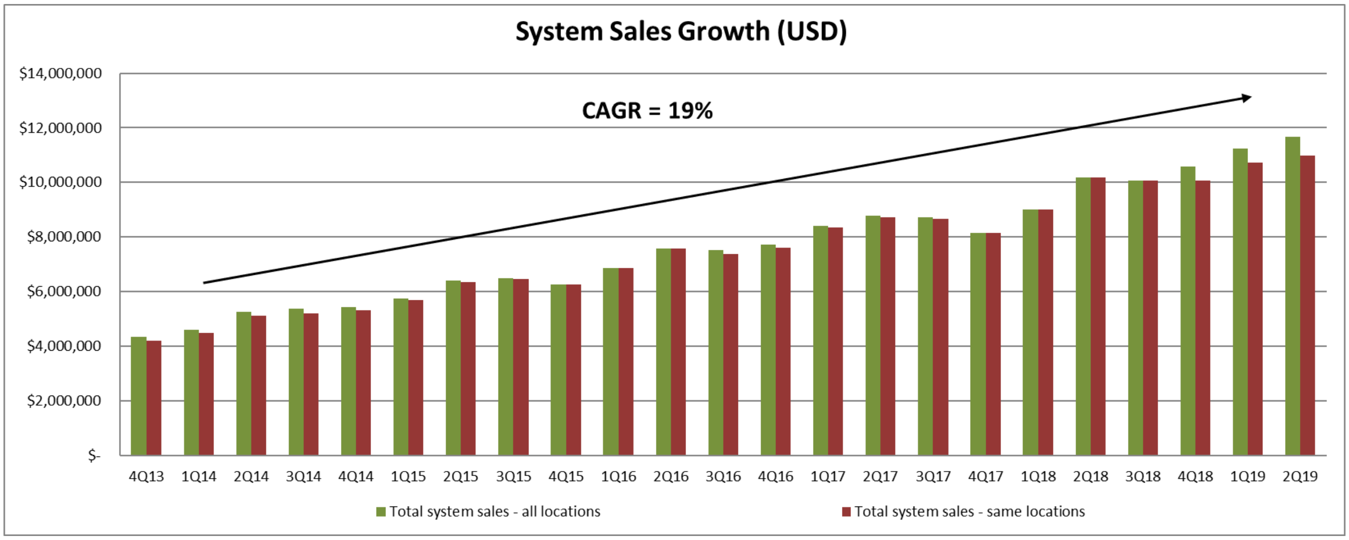
Total System Sales

Franchisees and corporate locations derive revenue by providing shredding services to their customers, and by selling recycled paper and other recyclable by-products (ie. metals and plastics). 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:

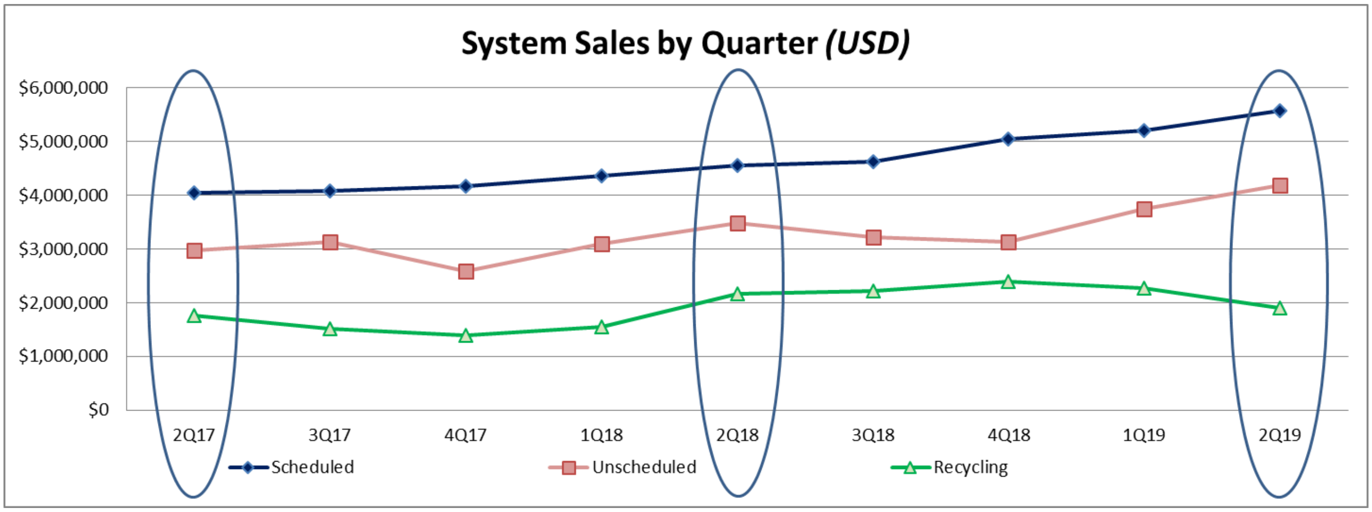
For the six months ended June 30,	**2019**	2018	% Change
Total North American operating locations at period end	**30**	29	3%
Total system sales (USD)	**$ 22,889,932**	$ 19,197,534	19%
Total same location system sales (USD)	**$ 21,448,461**	$ 19,197,534	12%

System Sales Trend:

The following chart illustrates system sales growth in USD by quarter since the fourth quarter of 2013.



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



For the six months ended June 30, 2019, shredding system sales grew by USD$3,217,230, a 21% increase over the comparative 2018 period.

Scheduled sales:

Scheduled sales are defined as the revenue generated from customers with regular service that typically occur on a weekly, bi-weekly, or monthly basis. Proshred sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees and corporate locations with stable and recurring cash flows. This focus resulted in continued growth in this category of 21% in the first six months of 2019 over the first six months of 2018.

For the six months ended June 30,	**2019**	2018	% Change
	$	$	
Scheduled sales (USD)	**10,778,270**	8,912,339	21%
Same location scheduled sales (USD)	**10,252,181**	8,912,339	15%

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for information 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. During the six months ended June 30, 2019, unscheduled sales reached $7.9 million, growing 21% over the six months ended June 30, 2018.

For the six months ended June 30,	**2019**	2018	% Change
	$	$	
Unscheduled sales (USD)	**7,929,472**	6,578,173	21%
Same location unscheduled sales (USD)	**7,243,623**	6,578,173	10%

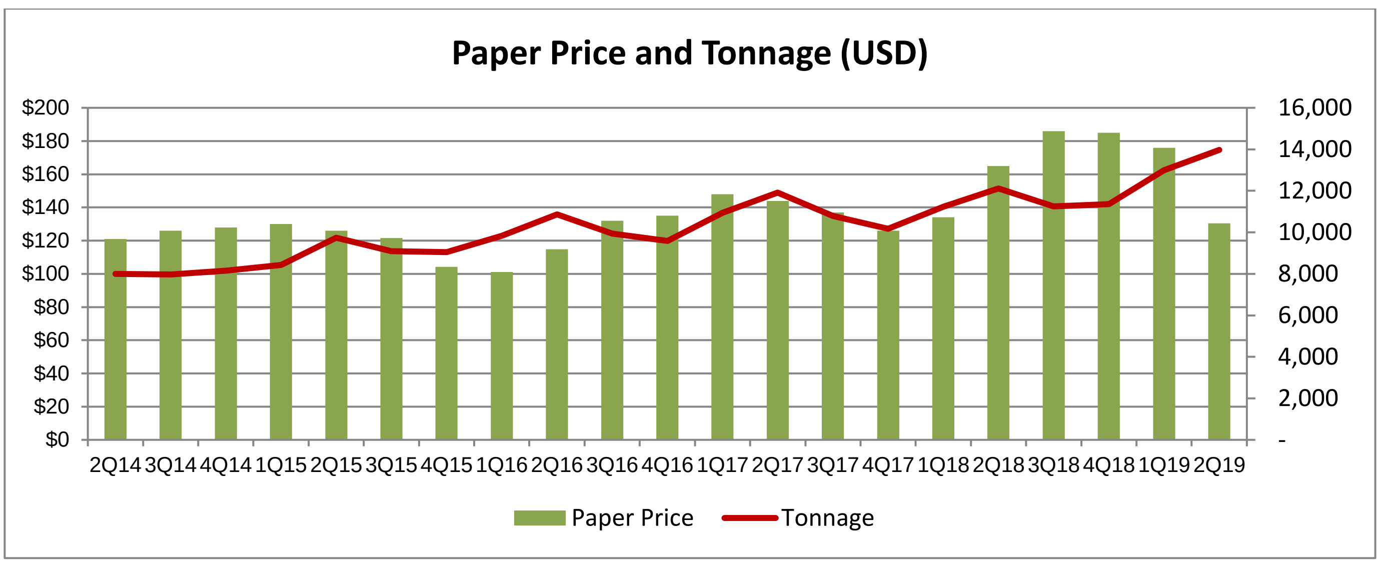
Recycling sales:

Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper and the volume of paper recycled which is measured in tons.

For the six months ended June 30,	**2019**	2018	% Change
Recycling sales (USD)	**$ 4,182,190**	$ 3,707,022	13%
Same location recycling sales (USD)	**$ 3,952,657**	$ 3,707,022	7%
Tonnage processed (All locations)	**14,000**	12,100	16%

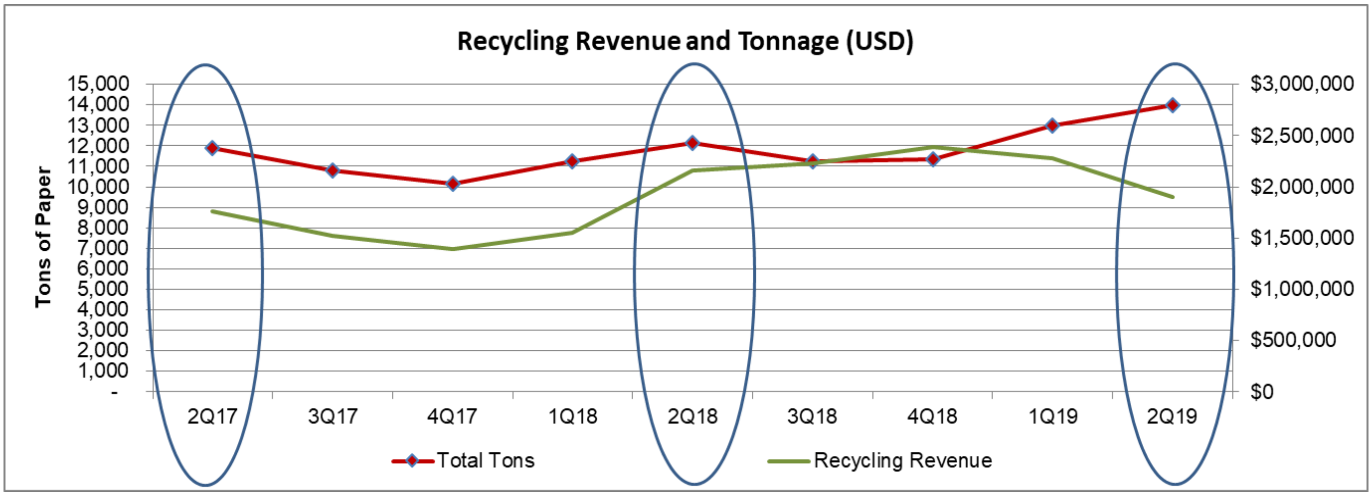
Paper Pricing Trends:

During the three months ended June 30, 2019, the average paper price in the Proshred system continued to decline from $176 per ton in Q1-2019 to $130 per ton. The average paper price in the Proshred system in Q2-2019 was 21% lower than in Q2-2018. Subsequent to Q2-2019, the average paper price in the Proshred system declined further and is forecasted to decline into Q3-2019.

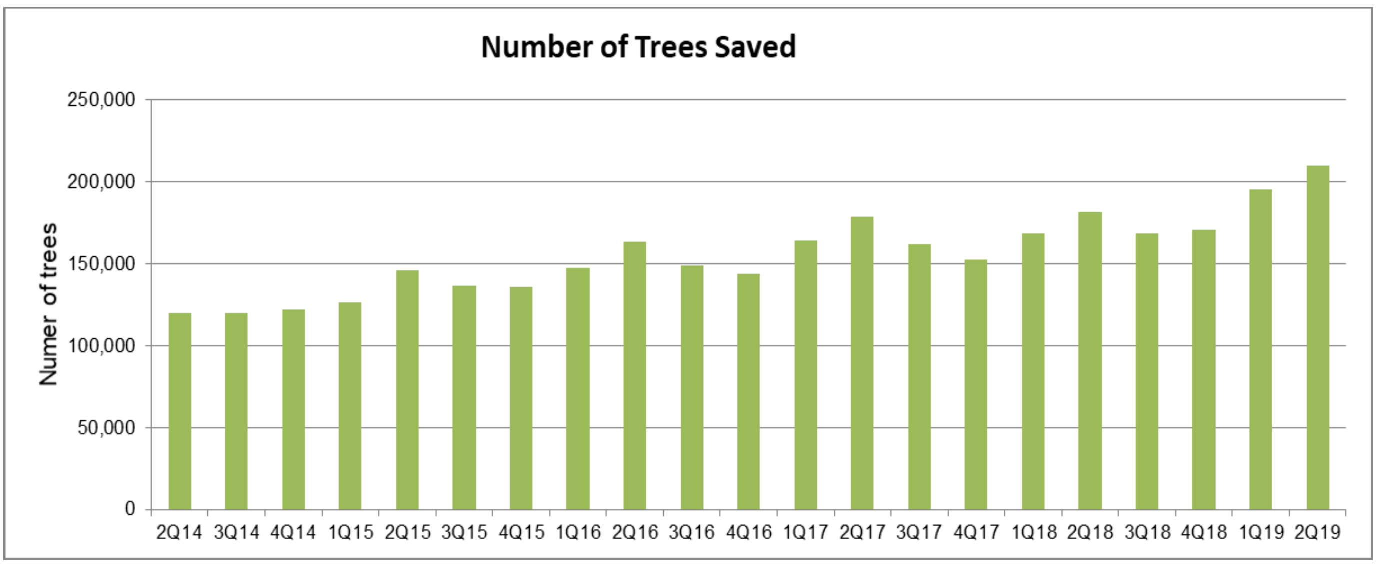


Historical Volume of Paper:

During the first half of 2019, the system shred and recycled 15% more paper than in the first half of 2018. Same locations in the system shred and recycled 9% more paper in the first half of 2019 compared to the first half of 2018. The Proshred system shred and recycled 27,000 tons of paper during the six months ended June 30, 2019 (23,300 – during the six months ended June 30, 2018), which equates to 405,000 trees being saved (first half of 2018 – 350,000). (1)

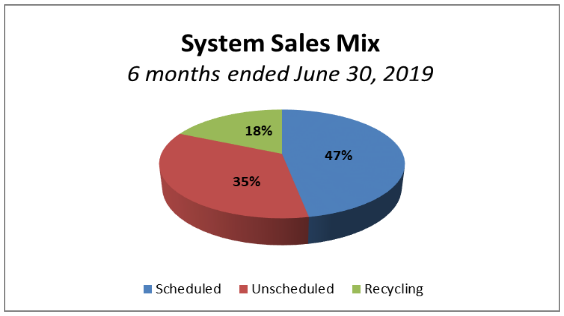


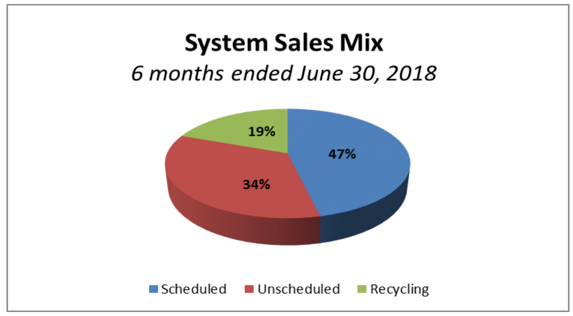
(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.



(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

Mix of business:





Franchising & Licensing

Royalties and service fees are charged for the use of the trademarks and system. Franchise and license fee revenue is generated when a franchise or license is awarded. The initial fee is recognized as revenue over the term of the related franchise or license agreement on a straight-line basis in accordance with the new accounting standard adopted in 2018.

In the first half of 2019, royalty and service fees denominated in US dollars grew by 5% over the first half of 2018. With the acquisition of the Kansas City franchise on January 31, 2019, the Company now earns corporate location revenue and no longer earns royalty fees from that location. As the Company earns all franchising and licensing related revenues in US dollars, which are translated at the average exchange rate for the period, the depreciation of the Canadian dollar over the prior year resulted in an increase in royalty and service fees denominated in Canadian dollars.

	Total Franchise Locations			**Same Franchise Locations**		
For the six months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change
Total number of franchisees operating at period end	**21**	22	(5)%	**21**	21	0%
In CAD:						
Royalty, license and service fees	**$ 1,172,719**	$ 1,071,385	9%	**$ 1,172,719**	$ 997,600	18%
In USD:						
Royalty, license and service fees	**$ 881,744**	$ 837,020	5%	**$ 881,744**	$ 779,375	13%

For the six months ended June 30,	**2019**	2018 (restated)	% Change
	$	$	
In CAD:			
Franchise fees	**115,516**	111,173	4%
In USD:			
Franchise fees	**86,854**	86,854	0%

Advertising Fund

The Company manages an advertising fund (the "Ad Fund") established to collect and administer funds contributed for use in regional and national advertising programs, and amongst other things, initiatives designed to increase sales and enhance general public recognition and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regard to these contributions. Ad Fund contributions are required to be made from both franchised and Company owned and operated locations and are based on the annual level of revenue from each location. The Ad Fund contributions and expenses of $59,318 from the Company owned locations have been eliminated on consolidation.

The Company has an Ad Fund cash balance of $231,641 as at June 30, 2019 and may incur a loss in fiscal 2019 and onward as the Ad Fund will continue to invest in marketing channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. Prior the adoption of IFRS 15 in 2018, the Company recorded the net balance of the fund on its Balance Sheet.

The Ad Fund revenue increased in the first half of 2019 over the first half of 2018 as contributions to the Ad Fund were increased at the beginning of the fiscal year based on the annual level of revenue from each franchise location.

In CAD:

For the six months ended June 30,	**June 30, 2019**	June 30, 2018 (restated)	% Change
	$	$	
Ad fund contributions	**143,804**	125,185	15%
Ad fund expenses	**(155,441)**	(187,073)	17%
Ad fund loss	**(11,637)**	(61,888)	81%

As at,	**June 30, 2019**	December 31, 2018	
Cash attributable to the Ad fund	**231,641**	215,709	7%

In USD:

For the six months ended June 30,	**June 30, 2019**	June 30, 2018 (restated)	% Change
	$	$	
Ad fund contributions	**108,123**	97,801	11%
Ad fund expenses	**(116,873)**	(146,151)	20%
Ad fund income (loss)	**8,750**	(48,350)	118%

As at,	**June 30, 2019**	December 31, 2018	
Cash attributable to the Ad fund	**176,825**	158,168	12%

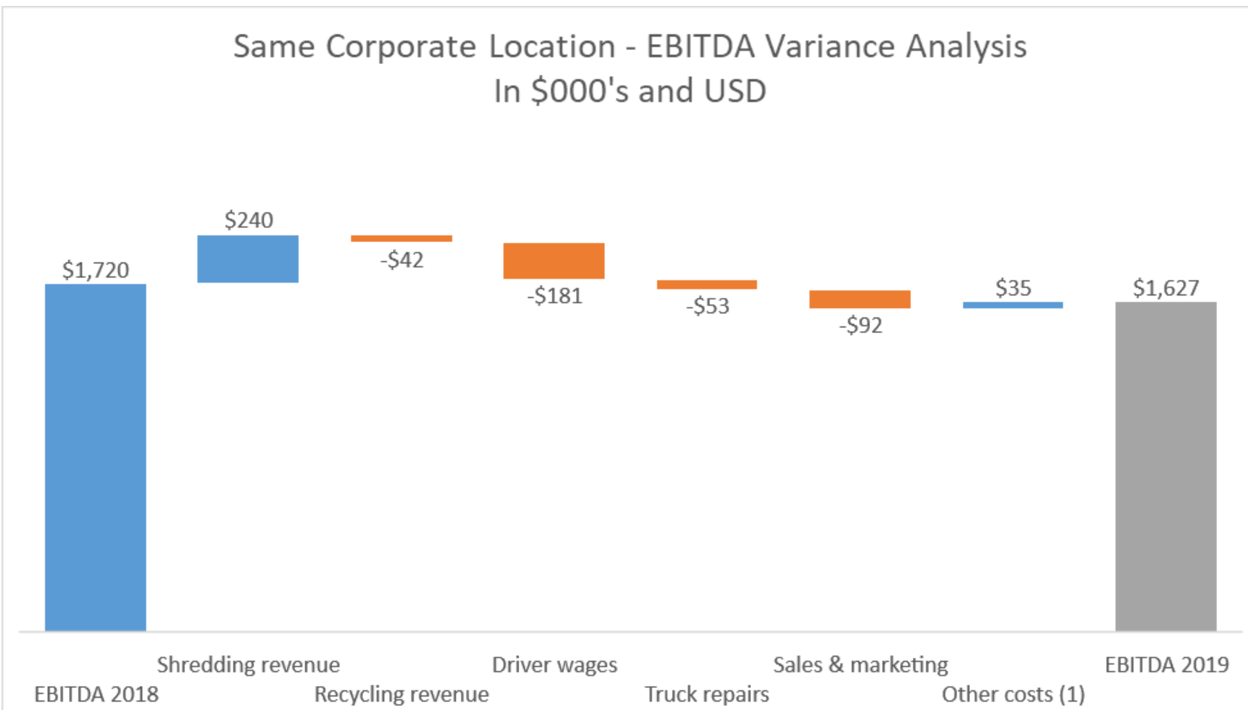
Corporate Locations

As of June 30, 2019, the Company operates nine locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey and Kansas.

The results of the four acquisitions conducted during 2018 and 2019 are included under non-same corporate locations as the Company was not operating these businesses in part or full during the first half of 2019. Included in non-same operating costs are vendor-related consulting fees for the North New Jersey and Kansas City transitions of $165,585 which accounts for 5% of non-same revenue and 2% of total revenue. As a result of the acquisitions conducted over the last 12 months, total corporate location revenues in USD grew by 66% and EBITDA grew by 50% over the prior comparative period.

With the adoption of the new IFRS 16 standard, the lease rental expense previously included in operating costs has now been replaced with a charge for depreciation of the lease asset and imputed interest. As the Company has not restated the prior year balances, the impact of this accounting change on the operating costs is shown on page 20.

Same location EBITDA in USD declined by 5% in the first half of 2019 over the first half of 2018. The below chart provides a bridge between the current year and prior year EBITDA with variances.



Note 1: Other costs include the IFRS 16 adjustments.

Corporate Locations (continued)

Items that impacted YTD Q2 2019:	Actions being taken:
Shredding revenue continues to grow, with same location scheduled revenue in USD growing 10% in the first half of 2019 versus the first half of 2018.	Management continues to invest in sales human resources and technology tools such as CRM to drive shredding revenue to offset the volatility in unscheduled revenue and the declines in recycling revenue.
Commodity paper prices declined significantly in Q2-2019, causing recycling revenue to be down USD$132,000 in Q2-2019 over Q2-2018 and down USD$42,000 in the first half of 2019 over the first half of 2018 for same corporate locations.	Management has been and will continue to focus sales efforts on recurring scheduled service, thereby building durable revenue and tonnage.
Drivers in the United States are at full employment causing upward pressure on wage rates and some retention issues in some markets that has driven over-time wages and temporary wages upwards.	Management has implemented a 401K program for its employees as well as enhanced health benefits programs to help attract and retain employees. Additionally, the company has commenced the roll out of enhanced routing technology with a view to further optimizing routes and increase route density.
Repair costs increased during the first half of 2019 versus the same period in 2018. This is due to increased number of trucks in the fleet as well as some older trucks needing more significant repairs.	During the first half of 2019, the Company purchased four new shredding trucks to enhance capacity and allow for more proactive preventative maintenance to occur on the older fleet. The objective is to reduce downtime and unplanned repair costs.
Strengthened management in our largest locations increased administrative costs.	The Company hired stronger management for its largest locations over the last twelve months with a view to driving service sales and to allow for the absorption of acquisitions.

In CAD, In 000's	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the 6 months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change	**2019**	2018
	$	$		**$**	$		**$**	$
Revenue:								
Shredding service	**7,801**	4,474	74%	**4,967**	4,474	11%	**2,834**	-
Recycling	**1,540**	957	61%	**938**	957	(2)%	**602**	-
Total revenue	**9,341**	5,431	72%	**5,905**	5,431	9%	**3,436**	-
Operating costs	**5,914**	3,229	83%	**3,740**	3,229	16%	**2,174**	-
EBITDA	**3,427**	2,202	56%	**2,165**	2,202	(2)%	**1,262**	-
EBITDA margin	***37%***	*41%*	*(4)%*	***37%***	*41%*	*(4)%*	***37%***	-
Depreciation – tangible assets	**1,161**	508	129%	**690**	508	36%	**471**	-
Operating income	**2,266**	1,694	34%	**1,475**	1,694	(13)%	**791**	-
Operating income margin	***24%***	*31%*	*(7)%*	***25%***	*31%*	*(6)%*	***23%***	-

Corporate Locations (continued)

In USD, In 000's	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the 6 months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change	**2019**	2018
	$	$		**$**	$		**$**	$
Revenue:								
Shredding service	**5,865**	3,495	68%	**3,734**	3,495	7%	**2,131**	-
Recycling	**1,158**	748	55%	**705**	748	(6)%	**453**	-
Total revenue	**7,023**	4,243	66%	**4,439**	4,243	5%	**2,584**	-
Operating costs	**4,447**	2,523	76%	**2,812**	2,523	11%	**1,635**	-
EBITDA	**2,576**	1,720	50%	**1,627**	1,720	(5)%	**949**	-
EBITDA margin	***37%***	*41%*	*(4)%*	***37%***	*41%*	*(4)%*	***37%***	-
Depreciation – tangible assets	**873**	397	120%	**519**	397	31%	**354**	-
Operating income	**1,703**	1,323	29%	**1,108**	1,323	(16)%	**595**	-
Operating income margin	***24%***	*31%*	*(7)%*	***25%***	*31%*	*(6)%*	***23%***	-

Corporate location revenues and operating costs are generated in US dollars, which are translated at the average exchange rate for the period.

With the adoption of IFRS 16, the leases that were classified as operating leases under IAS 17 and charged to operating costs in 2018 have been replaced with a charge to depreciation below the EBITDA line and a charge to interest below the operating income line.

In USD, In 000's For the 6 months ended June 30,	**2019 As reported**	**IFRS 16 adjustments**	**Proforma excluding IFRS 16 adjustments**	2018 As reported	*% change*
Total Corporate Locations EBITDA	**$2,576**	**$(195)**	**$2,381**	$1,720	*38%*
EBITDA margin	***37%***		***34%***	*41%*	*(7)%*
Total Corporate Locations Operating Income	**$1,703**	**$(10)**	**$1,693**	$1,323	*28%*
Operating income margin	***24%***		***23%***	*31%*	*(8)%*
Same Corporate Locations EBITDA	**$1,627**	**$(128)**	**$1,499**	$1,720	*(13)%*
EBITDA margin	***37%***		***34%***	*41%*	*(7)%*
Same Corporate Locations Operating Income	**$1,108**	**$(5)**	**$1,103**	$1,323	*(17)%*
Operating income margin	***25%***		***25%***	*31%*	*(6)%*
Non-same Corporate Locations EBITDA	**$949**	**$(68)**	**$881**	-	-
EBITDA margin	***37%***		***34%***	-	-
Non-same Corporate Locations Operating Income	**$595**	**$(5)**	**$590**	-	-
Operating income margin	***23%***		***23%***	-	-

Corporate Overhead

Corporate overhead expenses for the six months ended June 30, 2019 include expenses to support all Proshred locations in operations, training and initial support for pending locations, and the costs to develop new markets by way of franchising and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, and management salaries and benefits.

As a result of the adoption of IFRS 16, the lease rental expense included in corporate overhead expenses has now been replaced with a charge for depreciation of the lease asset and imputed interest. As the Company has not restated the prior year balances, the impact of this accounting change on the corporate overhead expenses is shown below.

Corporate overhead expenses of the Company are broken down as follows:

For the six months ended June 30,	**2019**	2018	% Change
	$	$	
In CAD:			
Salaries and benefits	**750,709**	748,505	0%
Stock based compensation	**99,902**	210,011	52%
Acquisition costs	**32,745**	17,006	(93)%
General, administrative and marketing	**509,281**	591,838	14%
Total corporate overhead expenses	**1,392,637**	1,567,360	11%

In $000's For the six months ended June 30,	**2019 As reported**	**IFRS 16 adjustments**	**Proforma excluding IFRS 16 adjustments**	2018 As reported	*% change*
Total corporate overhead expenses	**$1,393**	**$81**	**$1,474**	$1,567	*6%*

Other Income and Expenses

Depreciation and Amortization – Franchising

Depreciation relates to the purchase of computer equipment and furniture. Amortization relates to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008 as well as website development. As of January 31, 2018, these intangible assets were fully depreciated.

Depreciation and amortization is as follows:

For the six months ended June 30,	**2019**	2018	% Change
	$	$	
In CAD:			
Depreciation – tangible assets	**11,884**	11,642	(2)%
Amortization – intangible assets	**9,241**	79,047	88%

Amortization – Corporate locations

Amortization of intangible assets primarily relates to the assets purchased by way of acquisition. The significant increase is due to the acquisition of the Safe Shred business in Northern New Jersey and the acquisition of the Proshred Kansas business.

For the six months ended June 30,	2019	2018	% Change
	$	$	
In CAD:			
Amortization – intangible assets	**552,510**	177,043	(212)%
In USD:			
Amortization – intangible assets	**415,421**	138,315	(200)%

Foreign exchange

The Company has revenues and costs that are denominated in US dollars; this dependency on the US dollar typically causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which typically results in unrealized foreign exchange gains or losses.

Exchange rates utilized

As at,	**June 30, 2019**	December 31, 2018	% Change
	$	$	
Close rate	1.31	1.36	(4)%
For the six months ended,	**June 30, 2019**	June 30, 2018	% Change
	$	**$**	
Average rate	1.33	1.28	4%

Foreign exchange (loss) gain was as follows:

For the six months ended June 30,	2019	2018	% Change
	$	$	
Foreign exchange (loss) gain	**(740,058)**	243,881	(403)%

Interest income and expense

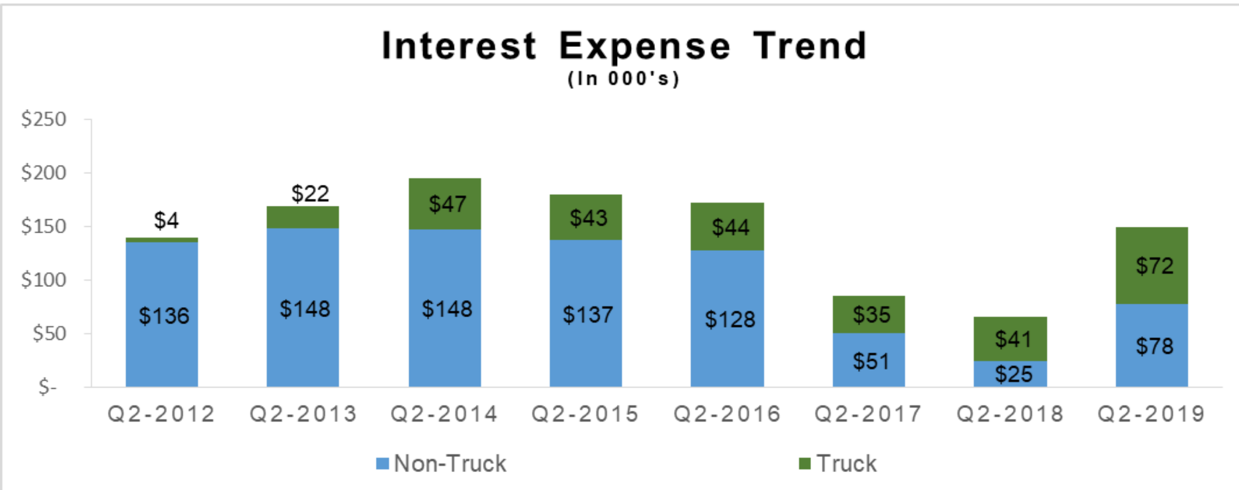
Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees and acquisitions.

Interest expense for the six months ended June 30, 2019 relates to the following:

- the Company's term loans, which currently bear interest at 4.95% and 3.50% per annum,
- truck loan and lease agreements, which bear interest at 4.95% to 7.50% per annum and
- the Company's lease liabilities related to the transition to IFRS 16.

Interest expense increased during the first half of 2019 in comparison to first half of 2018 as a result of the following:

(1) the transition to IFRS 16 which resulted in imputed interest on lease liabilities;
(2) the purchase of new trucks during 2018 and during the first half of 2019 which were all financed;
(3) notes payable related to the acquisitions conducted; and
(4) the $6 million advance made on the Company's term loan during Q2-2019.



For the six months ended June 30,	**2019**	2018	% Change
	$	$	
Interest income	**12,911**	2,221	481%
Interest expense	**(272,115)**	(131,540)	(107)%

Income Tax

The Company has incurred Canadian non-capital losses that can be carried forward to reduce taxes payable in Canada. The losses expire at various times through December 31, 2035. The Company has incurred U.S. non-capital losses that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times through December 31, 2037. During 2018, the Company recognized all temporary differences and non-capital losses. During the six months ended June 30, 2019 the Company recorded a deferred income tax expense, reducing its deferred tax asset as the Company has estimated a portion of its losses that it anticipates utilizing.

Reconciliation of EBITDA to Net Income

For the six months ended June 30,	**2019**	2018	% Change
	$	$	
EBITDA	**3,310,716**	1,754,929	89%
Less: depreciation – tangible assets	**(1,243,999)**	(520,096)	(139)%
Operating income	**2,066,717**	1,234,833	67%
Less: interest expense	**(272,115)**	(131,540)	(107)%
Add: interest income	**12,911**	2,221	481%
Operating income less net interest expense	**1,807,513**	1,105,514	63%
Less: amortization - intangible assets	**(561,751)**	(256,090)	(119)%
Less/add: (loss) gain on sale of assets	**93,017**	–	100%
Add: transaction recovery	–	17,840	100%
Income before foreign exchange and income tax	**1,338,779**	867,264	54%
Add: foreign exchange (loss) gain	**(740,058)**	243,881	(403)%
Less/add: income tax (expense) recovery	**(133,988)**	109,334	(223)%
Net income	**464,733**	1,220,479	(62)%

Selected Quarterly Results

As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company also experiences seasonality for unscheduled shredding with the 2nd and 3rd quarters of every year typically being stronger than the 1st and 4th quarters of every year.

	2019		2018(1)				2017	
(in CAD except where noted)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
System sales (USD)	11,663,762	11,226,169	10,576,398	10,067,397	10,192,111	9,005,422	8,145,441	8,731,719
Consolidated Performance								
Revenue	5,569,843	5,202,806	4,326,617	3,691,728	3,583,987	3,154,292	3,375,742	2,834,413
EBITDA	1,690,975	1,619,741	944,338	845,812	956,170	798,759	774,202	864,596
Operating Income	1,034,412	1,032,305	585,503	549,070	683,585	551,248	512,284	609,446
Corporate Location Performance								
Revenue	4,833,148	4,507,462	3,607,617	2,977,170	2,924,082	2,506,453	2,280,150	2,349,342
EBITDA	1,703,568	1,723,187	1,169,290	1,038,069	1,178,593	1,023,026	768,539	952,118
Operating Income	1,090,536	1,175,551	820,880	752,743	912,071	781,094	522,254	701,157
Operating income per weighted average share fully diluted	0.015	0.015	0.010	0.008	0.011	0.011	0.011	0.012
(Loss) income before taxes from continuing operations	29,744	568,977	1,034,253	279,593	632,303	478,842	281,892	(46,404)
(Loss) income attributable to owners of the parent	(80,579)	545,312	1,192,933	331,000	719,878	500,601	845,566	(68,117)
Basic and diluted net (loss) income per share	(.00)	.01	.02	.01	.01	.01	.02	(.00)

(1) Certain amounts have been restated with the adoption of IFRS 15 on a retrospective basis in 2018. Certain amounts have been reclassified to conform to the current period's presentation.

Q2 Financial Highlights

(in 000's)

For the 3 months ended June 30,	**2019**	2018	% change
	$	$	
System Sales Performance – in USD			
Total system sales	**11,664**	10,192	*14%*
Percentage scheduled	***48%***	*45%*	*3%*
Total same location system sales	**10,975**	10,192	*8%*
Percentage scheduled	***49%***	*45%*	*4%*

For the 3 months ended June 30,	**2019**	2018 (restated)	% change
	$	$	
Consolidated Operating Performance – in CAD			
Consolidated results:			
Revenue	**5,570**	3,584	*55%*
EBITDA	**1,691**	956	*77%*
EBITDA margin	***30%***	*27%*	*3%*
Operating Income	**1,034**	684	*51%*
Operating income margin	***19%***	*19%*	*0%*

For the 3 months ended June 30,	**2019**	2018	% change
	$	$	
Corporate Location Performance – in CAD			
Revenue	**4,833**	2,924	*65%*
EBITDA	**1,704**	1,179	*45%*
EBITDA margin	***35%***	*40%*	*(5)%*
Operating income	**1,091**	912	*20%*
Operating income margin	***23%***	*31%*	*(8)%*

The Q2-2019 results excluding the IFRS 16 adjustments, which were not applied retroactively to prior period financial information, are as follows:

In $000's For the three months ended June 30,	**2019 As reported**	**IFRS 16 adjustments**	**Proforma excluding IFRS 16 adjustments**	2018 As reported	*% change*
Consolidated Operating Performance – in CAD					
Revenue	**$5,570**	**-**	**$5,570**	$3,584	*55%*
EBITDA	**$1,691**	**$(177)**	**$1,514**	$956	*58%*
EBITDA margin	***30%***		***27%***	*27%*	*0%*
Operating Income	**$1,034**	**$(10)**	**$1,024**	$684	*50%*
Operating income margin	***19%***		***18%***	*19%*	*(1)%*

Q2 System Sales Results

During the second quarter of 2019, total and same location scheduled sales and unscheduled sales reached a record high. Same location shredding sales were US$9,154,914 for the second quarter of 2019, growing by14% over the second quarter of 2018.

During the three months ended June 30, 2019, same location recycling sales decreased by 16% over the same period in 2018, which was a result of the decrease in the price of paper. The average price of paper in the Proshred system was US$165 per ton in the second quarter of 2018, versus US$130 per ton in the second quarter of 2019, a decrease of 21%. The Proshred system shred and recycled 15% more tons of paper in Q2-2019 over Q2-2018. A total of 14,000 tons of paper were shred and recycled during the second quarter of 2019 (second quarter of 2018 – 12,100), which equates to 210,000 trees being saved (second quarter of 2018 – 181,000).

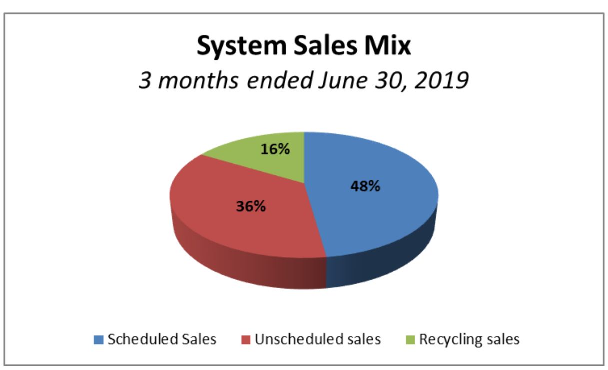
Total Locations System Sales:

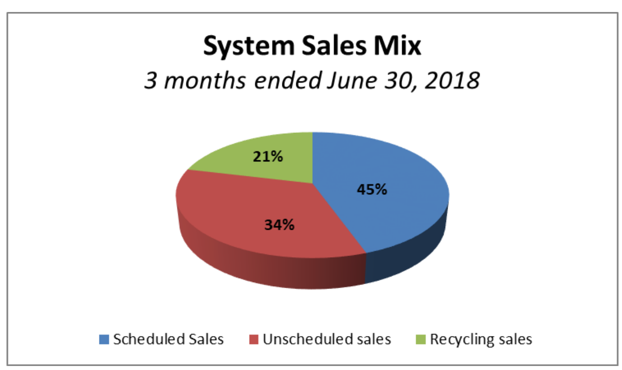
For the 3 months ended June 30,	**2019**	2018	% Change
Total locations	**30**	29	*3%*
Total system sales (USD)	**$ 11,663,762**	$ 10,192,111	14%
Total scheduled sales (USD)	**$ 5,572,384**	$ 4,550,236	22%
Total unscheduled sales (USD)	**$ 4,186,928**	$ 3,485,097	20%
Total recycling sales (USD)	**$ 1,904,450**	$ 2,156,779	(12)%

Same Locations System Sales:

For the 3 months ended June 30,	**2019**	2018	% Change
Total same location system sales (USD)	**$ 10,974,899**	$ 10,192,111	8%
Total same location scheduled sales (USD)	**$ 5,359,524**	$ 4,550,236	18%
Total same location unscheduled sales (USD)	**$ 3,795,390**	$ 3,485,097	9%
Total same location recycling sales (USD)	**$ 1,819,985**	$ 2,156,779	(16)%

System Sales Mix:





Q2 Franchising Results

During the second quarter of 2019, the Company's royalties increased 8% over the second quarter of 2018 as a result of the growth in system sales.

	Total Franchise Locations			Same Franchise Locations		
For the three months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change
Total number of franchisees operating at period end	**21**	22	(5)%	**21**	21	0%
In CAD:						
Royalty, license and service fees	**$ 605,490**	$ 562,350	8%	**$ 605,490**	$ 524,511	15%
In USD:						
Royalty, license and service fees	**$ 455,256**	$ 439,336	4%	**$ 455,256**	$ 409,774	11%

For the three months ended June 30,	**2019**	2018 (restated)	% Change
	$	$	
In CAD:			
Franchise fees	**57,758**	55,858	3%
In USD:			
Franchise fees	**43,427**	43,427	0%

Advertising Fund

In CAD:

For the three months ended June 30,	**2019**	2018 (restated)	% Change
	$	$	
Advertising fund contributions	**73,447**	42,075	75%
Advertising fund expenses	**(42,494)**	(68,120)	38%
Advertising fund income (loss)	**30,953**	(26,045)	219%

In USD:

For the three months ended June 30,	**2019**	2018 (restated)	% Change
	$	$	
Advertising fund contributions	**55,223**	32,991	67%
Advertising fund expenses	**(31,950)**	(53,219)	40%
Advertising fund income (loss)	**23,273**	(20,228)	215%

Q2 Corporate Overhead

During the three months ended June 30, 2019, total corporate overhead costs declined by 13% over the three months ended June 30, 2018. The Company closely monitors and controls all operating expenses.

For the three months ended June 30,	2019	2018	% Change
	$	$	
In CAD:			
Salaries	**381,379**	419,530	9%
Stock based compensation	**59,881**	69,259	14%
Acquisition costs	**1,397**	5,759	75%
General, administrative and marketing	**264,137**	320,037	17%
Total corporate overhead expenses	**706,794**	814,585	13%

Q2 Corporate location results

The results of the North New Jersey and Kansas City acquisitions are included under non-same corporate locations as the Company was not operating these businesses during the first half of 2018.

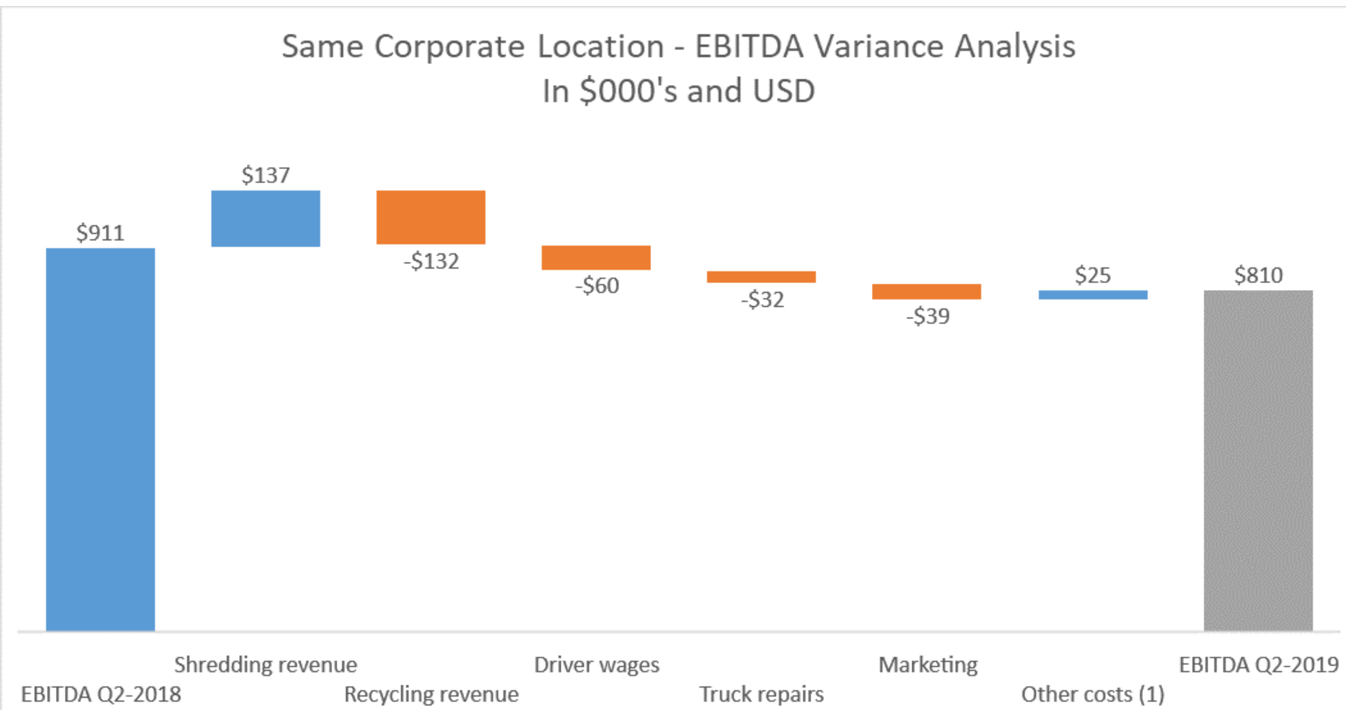
As a result of the acquisitions conducted over the last 12 months, the corporate location revenues grew by 65% and EBITDA grew by 45% during the three months ended June 30, 2019 over the three months ended June 30, 2018.

Included in non-same operating costs are vendor-related consulting fees for the North New Jersey and Kansas City transitions of $91,105 which accounts for 5% of non-same revenue and 2% of total revenue.

The commodity paper prices declined by 29% for same corporate locations during Q2-2019 over Q2-2018 which led to the decline in recycling revenue, EBITDA, operating income and margins.

(In CAD, In 000's)	**Total Corporate Locations**			**Same Corporate Locations**			**Non-same Corporate Locations**	
For the 3 months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change	**2019**	2018
Revenue:	**$**	$		**$**	$		**$**	$
Shredding service	**4,157**	2,353	77%	**2,601**	2,353	11%	**1,556**	-
Recycling	**677**	571	19%	**412**	571	(28)%	**265**	-
Total revenue	**4,834**	2,924	65%	**3,013**	2,924	3%	**1,821**	-
Operating costs	**3,130**	1,745	79%	**1,936**	1,745	11%	**1,194**	-
EBITDA	**1,704**	1,179	45%	**1,077**	1,179	(9)%	**627**	-
EBITDA margin	***35%***	*40%*	*(5)%*	***36%***	*40%*	*(4)%*	***34%***	-
Depreciation – tangible assets	**613**	267	130%	**357**	267	34%	**256**	-
Corporate operating income	**1,091**	912	20%	**720**	912	(21)%	**371**	-
Operating income margin	***23%***	*31%*	*(8)%*	***24%***	*31%*	*(7)%*	***20%***	-

(In USD, In 000's)	**Total Corporate Locations**			**Same Corporate Locations**			**Non-same Corporate Locations**	
For the 3 months ended June 30,	**2019**	2018	% Change	**2019**	2018	% Change	**2019**	2018
	$	$		**$**	$		**$**	$
Revenue:								
Shredding service	**3,126**	1,819	72%	**1,956**	1,819	8%	**1,170**	-
Recycling	**509**	442	15%	**310**	442	(30)%	**199**	-
Total revenue	**3,635**	2,261	61%	**2,266**	2,261	0%	**1,369**	-
Operating costs	**2,353**	1,350	74%	**1,456**	1,350	8%	**897**	-
EBITDA	**1,282**	911	24%	**810**	911	(11)%	**472**	-
EBITDA margin	***35%***	*40%*	*(5)%*	***36%***	*40%*	*(4)%*	***34%***	-
Depreciation – tangible assets	**461**	206	124%	**268**	206	30%	**193**	-
Corporate operating income	**821**	705	16%	**542**	705	(23)%	**279**	-
Operating income margin	***23%***	*31%*	*(8)%*	***24%***	*31%*	*(7)%*	***20%***	-



Note 1: Other costs include the IFRS 16 adjustments.

Same corporate location USD EBITDA declined by 11% as a result of the following:

(1) decline in the commodity paper prices causing a decline of 30% (or $132,000) in recycling revenue;
(2) driver shortages and turnover causing upward pressure on driver wages and increased overtime;
(3) increased truck repair costs and truck downtime.

The increase in marketing costs resulted in an increase in marketing leads which contributed to the increase in shredding revenue. The Company invested in two new shredding vehicles during Q2-2019 with a view to reducing truck downtime and repair costs.

In USD, In 000's For the 3 months ended June 30,	**2019 As reported**	**IFRS 16 adjustments**	**Proforma excluding IFRS 16 adjustments**	2018 As reported	*% change*
Total Corporate Locations EBITDA	**$1,282**	**$(104)**	**$1,178**	$912	*29%*
EBITDA margin	***35%***		***32%***	*40%*	*(8)%*
Total Corporate Locations Operating Income	**$821**	**$(6)**	**$815**	$705	*16%*
Operating income margin	***23%***		***22%***	*31%*	*(9)%*
Same Corporate Locations EBITDA	**$810**	**$(61)**	**$749**	$912	*(18)%*
EBITDA margin	***36%***		***33%***	*40%*	*(7)%*
Same Corporate Locations Operating Income	**$542**	**$(3)**	**$539**	$705	*(24)%*
Operating income margin	***24%***		***24%***	*31%*	*(7)%*
Non-same Corporate Locations EBITDA	**$472**	**$(37)**	**$435**	-	-
EBITDA margin	***34%***		***32%***	-	-
Non-same Corporate Locations Operating Income	**$279**	**$(3)**	**$276**	-	-
Operating income margin	***20%***		***20%***	-	-

Financial Condition, Capital Resources and Liquidity

The Company closely monitors its cash balances and cash flows generated from operations to meet its requirements.

As at June 30 and December 31,	**2019**	2018	*% Change*
In $000's			
Working capital	**$2,928**	$7,288	*(60)%*
Total assets	**$37,254**	$27,943	*33%*
Total liabilities	**$16,806**	$7,995	*110%*
Total current liabilities	**$5,919**	$3,490	*70%*
Debt to total assets ratio	**0.45**	0.29	*(55)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**2.51**	1.94	*29%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.55**	1.69	*(51)%*

The Company's working capital declined by $4.36 million as a result of the cash reserves used for the Kansas acquisitions on January 31, 2019. During Q2-2019, the Company secured an additional senior credit facility of USD$9.5 million and advanced USD$4.47 million. The advance on the term loan bears interest at a fixed rate of 3.50% with an amortization period of 84 months.

The total assets of the Company have increased when compared to December 31, 2018 as a result of the Kansas acquisitions with a total of $11 million in assets purchased.

The total liabilities of the Company have increased over December 31, 2018 as the acquisitions conducted during the first half of 2019 included debt financing by way of a term loan, notes payable and contingent consideration.

The total assets and liabilities also increased due to the adoption of the accounting policy, IFRS 16, leases. Under the new standard, leases previously classified as operating leases are now classified as finance leases and recorded as a right-of-use asset and lease liability on the balance sheet.

As of June 30, 2019, the Company has the following senior credit facilities and debt available for use:

Type of Debt Facility	Total Facility Amount	Amount Available
Term loan	USD $9.5M	USD $5M
Term loan	CAD $3M	CAD $1M
Line of credit	CAD $1M	CAD $1M
Related party line of credit	CAD $2M	CAD $2M
Total	CAD $18.45M	CAD $10.55M

The Company's rolling twelve-month fixed charge coverage and its total funded debt to EBITDA ratio comply with its financial covenants. Management will continue to balance investment in human resources, trucks and technology with continued management of its debt balances.

Bank indebtedness

On May 6, 2019, the Company's lender advanced CAD$6 million (USD$4.47 million) on the USD$9.5 million term loan with an amortization period of 84 months from the date of drawdown, bearing interest at a fixed rate of 3.50%. The current balance outstanding on this facility is CAD$5.87 million at June 30, 2019.

On May 6, 2019, the Company also revised the terms of its existing credit facilities with its lender. The CAD$3 million non-revolving term loan interest rate was reduced from prime rate plus 2.50% to prime rate plus 1.00% and the operating line of credit interest rate was reduced from prime rate plus 1.25% to prime rate plus 1.00%.

The Company has also established a USD$1.7 million line of credit for the purchase of shredding vehicles with a lender in the United States. The line of credit is open for one year, until November 2019 when an annual credit review is completed. The interest rate is based on prevailing market rates at the time the line is used. As of June 30, 2019, the Company has received an advance of USD$952,430 on the line of credit, which is included in the truck loans balance. The Company has USD$747,570 available for use on the line of credit as of June 30, 2019.

Related party line of credit

The Company has a related party line of credit facility for a maximum amount of CAD$2.0 million. The line of credit facility matures on July 16, 2022 and bears interest at a fixed rate of 10% per annum. The line of credit is secured by a second in priority general security agreement over the Company's assets. As at June 30, 2019, the facility has not been drawn upon ($nil balance – December 31, 2018).

Lease liabilities

The Company enters into real-estate leases in order to secure office and warehouse space for the corporate location operations. With the adoption of IFRS 16 – Leases, effective January 1, 2019, the Company has recorded lease liabilities at the present value of the remaining lease payments, discounted at the related incremental borrowing rate.

The activity related to the lease liabilities for the six months ended June 30, 2019 is as follows:

	June 30, 2019
	$
Opening balance, January 1, 2019	1,277,839
Acquisitions	642,506
Additions	313,848
Imputed interest	(51,991)
Principal payments	(286,619)
Foreign exchange	23,107
Closing balance	1,918,690

Based on overall cash generation capacity and 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 did not declare any dividends during the year.

The following are the balances of issued common shares of the Company.

	Common stock		**Warrants**		**Total**	
	Number	**$**	**Number**	**$**	**Number**	**$**
Balance June 30, 2019	66,561,105	24,354,325	1,848,400	606,765	68,409,505	24,961,090
Balance December 31, 2018	66,557,355	24,350,575	1,852,150	610,515	68,409,505	24,961,090

Capital Assets

As at,	**June 30, 2019**	December 31, 2018	% Change
	$	$	
Net book value	**10,269,654**	5,835,968	76%

The Company's capital assets (not including intangible assets) increased due to:

(1) the adoption of IFRS 16 – Leases which resulted in a total right-of-use assets balance of $1.9 million at June 30, 2019; and
(2) the Kansas acquisitions which resulted in a total of $2.9 million in capital assets purchased.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Transactions with Related Parties

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of $685 due from this franchise at June 30, 2019 (December 31, 2018 - $nil). During the six months ended June 30, 2019, the Company earned royalties, service fees, franchise fees and interest income of $92,067 (six months ended June 30, 2018 - $75,328) from this franchise. Included in notes receivable from the franchisees is a three year note receivable balance of $3,886, which has an interest rate of 5% per annum.

Risks and Uncertainties

Please refer to the Redishred 2018 Annual Report for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2018, the Company's fiscal year-end.

Use of estimates and judgements

The preparation of the financial report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant areas of judgements, estimates and assumptions are set out in Note 4 of the consolidated financial statements found in Redishred's 2018 Annual Report.

During the most recent interim period, the Company adopted the new accounting standard IFRS 16 – Leases, effective January 1, 2019. IFRS 16 eliminates the classification of an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. As a result, the Company recognized an increase to both assets and liabilities on its Consolidated Statements of Finance Position as well as a decrease to operating costs, an increase to depreciation and an increase to finance costs.

The Company adopted IFRS 16 using the modified restrospective approach using practical expedients, as permitted, which do not require the restatement of prior period financial information.

For leases that were classified as operating leases under IAS 17, lease liabilities and right-of-use assets have been recognized. The right-of-use assets have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid rent related to that lease. The lease liabilities have been measured at the present value of the remaining lease payments, discounted at the related incremental borrowing rate at prevailing rates.

A summary of the IFRS 16 accounting policy and the related estsimates and judgments can be found in the Company's 2019 first quarter interim condensed consolidated financial statements and Management's Discussion and Analysis.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The following are the balances of issued common shares of the Company:

	Common stock		Warrants		Total	
	Number	$	Number	$	Number	$
Balance June 30, 2019	66,561,105	24,354,325	1,848,400	606,765	68,409,505	24,961,090
Balance December 31, 2018	66,557,355	24,350,575	1,852,150	610,515	68,409,505	24,961,090

The following table summarizes the movements in the Company's stock options during the six months ended June 30, 2019 and the year ended December 31, 2018:

	2019		2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding – Beginning of year	1,785,500	0.47	1,194,000	0.39
Granted	324,450	0.75	641,500	0.59
Exercised	–	–	(50,000)	0.10
Expired	(5,000)	–	–	–
Outstanding – End of year	2,104,950	0.52	1,785,500	0.47

For the six months ended June 30, 2019, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to $99,902 (for the six months ended June 30, 2018 – $210,011).

Subsequent events

On July 4, 2019, the Company completed a private placement of 11,842,000 common shares at a price of $0.95 per common share for total gross proceeds of $11,249,900. The net proceeds of the private placement will be used to fund future growth initiatives including both acquisitions and organic growth, and for general corporate purposes. Broker commissions will be paid in connection with the offerings of approximately $683,000, as well as legal fees of approximately $107,000.

Dated: August 22, 2019