

Table of Contents

Business Overview.....	2
Basis for Presentation	2
Forward Looking Statements	2
Non-IFRS Financial Measures	3
Adoption of IFRS 16	4
Key Performance Indicators (“KPIs”)	5
Financial and Operational Highlights.....	6
Proforma Results excluding IFRS 16	7
Company Strategy.....	10
Performance Compared to 2019 Targets ⁽¹⁾	14
2020 and Longer-term Targets	15
Total System Sales.....	16
Franchising & Licensing	21
Advertising Fund.....	23
Corporate Locations	24
Q4-2019 Corporate Location Results.....	26
2019 Corporate Location Results.....	25
Selling, general and administrative expenses.....	29
Other Income and Expenses	30
Foreign exchange.....	31
Interest income and expense.....	32
Reconciliation of EBITDA to Net Income	33
Selected Annual Information	33
Selected Quarterly Results	34
Financial Condition, Capital Resources and Liquidity.....	35
Off-Balance Sheet Financing Arrangements	37
Transactions with Related Parties	37
Changes in Accounting Standards	38
Risks and Uncertainties	39
Use of estimates and judgements.....	41
Investor Relations Activities.....	43
Share Data	43
Subsequent events.....	44

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

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 11 corporate shredding locations directly as of April 16, 2020. In 2019, the Proshred system achieved USD\$44 million in System Sales (USD\$24 million through franchised/licensed locations and USD\$20 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 annual 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 audited consolidated annual financial statements for the year ended December 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). The Company 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. 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'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 2019 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at April 17, 2020.

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,

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

- (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 may 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. Shredding system sales include revenues generated by franchisees, licensees and corporately operated locations.
- **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 33.
- **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 33.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

- **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 33.
- **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 Financial Position. From the Statements of Comprehensive (Loss) Income perspective, the lease rental expense under the old standard has now been replaced with a charge to depreciation and interest expense.

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 January 1, 2019.

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.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

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. Corporate location operating income less recycling revenue growth – this measures the corporate locations ability to improve operationally removing the fluctuations of commodity paper prices.
6. 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.
7. 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.
8. Operating income per weighted average share fully diluted – management expects to increase operating income on a per share basis fully diluted.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Financial and Operational Highlights

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

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% change	2019	2018	% change
System Sales Performance – in USD						
Total locations in the United States	30	30	0%	30	30	0%
Total system sales	\$10,477	\$10,576	(1)%	\$44,321	\$39,841	11%
<i>Percentage scheduled sales</i>	56%	48%		50%	47%	
Total system sales – same location	\$10,206	\$10,576	(4)%	\$41,886	\$39,841	5%
<i>Percentage scheduled sales</i>	57%	48%		51%	47%	

	Three months ended December 31, 2018			Twelve months ended December 31,		
	2019	(restated)	% change	2019	2018	% change
Consolidated Operating Performance – in CAD						
Revenue	\$6,281	\$4,470	41%	\$22,407	\$14,660	53%
EBITDA	\$605	\$825	(27)%	\$5,045	\$3,516	43%
<i>EBITDA margin</i>	10%	18%	(8)%	23%	24%	(1)%
Operating income	\$(112)	\$466	(124)%	\$2,410	\$2,340	3%
<i>Operating income margin</i>	(2)%	10%	(12)%	11%	16%	(5)%
Operating income per weighted average share fully diluted	\$(0.002)	\$0.008	(125)%	\$0.032	\$0.041	(21)%

	Three months ended December 31,			Twelve months ended December 31,		
	2019	2018	% change	2019	2018	% change
Corporate Location Performance – in CAD						
Revenue	\$5,734	\$3,608	59%	\$19,737	\$12,015	64%
EBITDA	\$1,376	\$1,170	18%	\$6,235	\$4,409	41%
<i>EBITDA margin</i>	24%	32%	(8)%	32%	37%	(5)%
Operating income	\$620	\$821	(24)%	\$3,687	\$3,267	13%
<i>Operating income margin</i>	11%	23%	(12)%	19%	27%	(9)%

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Proforma Results excluding IFRS 16

For the three months ended December 31,	2019 As reported	IFRS 16 adjustments	Proforma excluding IFRS 16 adjustments	2018 As reported	% change
Consolidated Operating Performance – in CAD					
Revenue	\$6,281	-	\$6,281	\$4,470	41%
EBITDA	\$605	\$(173)	\$432	\$825	(48)%
<i>EBITDA margin</i>	10%		7%	18%	(11)%
Operating Income	\$(112)	\$(129)	\$(241)	\$466	(152)%
<i>Operating income margin</i>	(2)%		(4)%	10%	(14)%

For the twelve months ended December 31,	2019 As reported	IFRS 16 adjustments	Proforma excluding IFRS 16 adjustments	2018 As reported	% change
Consolidated Operating Performance – in CAD					
Revenue	\$22,407	-	\$22,407	\$14,660	53%
EBITDA	\$5,045	\$(545)	\$4,500	\$3,516	28%
<i>EBITDA margin</i>	23%		20%	24%	(4)%
Operating Income	\$2,410	\$(16)	\$2,394	\$2,340	2%
<i>Operating income margin</i>	11%		11%	16%	(5)%

Capital Management

As at December 31,	2019	2018	% change
In CAD			
Working capital	\$4,432	\$7,288	(39)%
Debt to total assets ratio	0.44	0.29	(55)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	2.39	1.94	(23)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	2.94	1.69	(74)%

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Summary of Results and Operations

Shredding System Sales Growth despite declining Paper Prices

Shredding system sales grew by 17% during Q4-2019 over Q4-2018 with scheduled sales growth of 16% during the same period. The Company continued to focus on providing recurring scheduled service to small and medium sized enterprise clients and continued to invest in marketing initiatives designed to capture one-time unscheduled sales. However, the decline in commodity paper prices resulted in a decline in total system sales of 1% in Q4-2019 over Q4-2018. The average paper price in the Proshred system declined by 64% in Q4-2019 over Q4-2018 as the price dropped from \$185 per ton to \$67 per ton. Despite the continued decline in paper prices during 2019, total system sales grew by double digits at 11% over 2018 with shredding system sales growth of 17% year over year.

During 2019 Redishred's system sales growth over 2018 was as follows:

Total System Sales increased by 11% (Same Location increased by 6%)	
<p><u><i>By Service Type:</i></u> Scheduled sales increased by 20% (Same Location increased by 16%) Unscheduled sales increased by 22% (Same Location increased by 11%) Recycling sales decreased by 24% (Same Location declined by 28%)</p>	<p><u><i>By Location Type:</i></u> Franchise location total system sales increased by 10% (Same Location increased by 5%) Corporate location sales increased by 64% (Same Location declined by 1%)</p>

Corporate Location EBITDA and Operating Income

2019 Results

Same location results were impacted by the following:

1. Recycling revenue decline of USD\$699,000 due to the decline in paper prices of 32%;
2. Increase in driver wages of USD\$120,000 due to upward pressure on driver wages with full employment in the United States; and
3. Increase in depreciation of trucks of USD\$240,000 due to the investment in new shredding vehicles to allow for maximum uptime and client service, future growth and capacity and to reduce future repair and maintenance costs.

In USD:

	Total Locations			Same Locations		
	2019	2018	Change	2019	2018	Change
For the 12 months ended December 31,	\$	\$	\$	\$	\$	\$
EBITDA	4,699	3,403	1,296	2,797	3,403	(606)
Operating income	2,779	2,521	258	1,675	2,521	(846)
Recycling revenue	1,912	1,791	121	1,092	1,791	(699)

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Q4-2019 Results

The further decline in commodity paper prices into Q4-2019 resulted in the decline in EBITDA and operating income in Q4-2019 as compared to Q4-2018.

In USD:

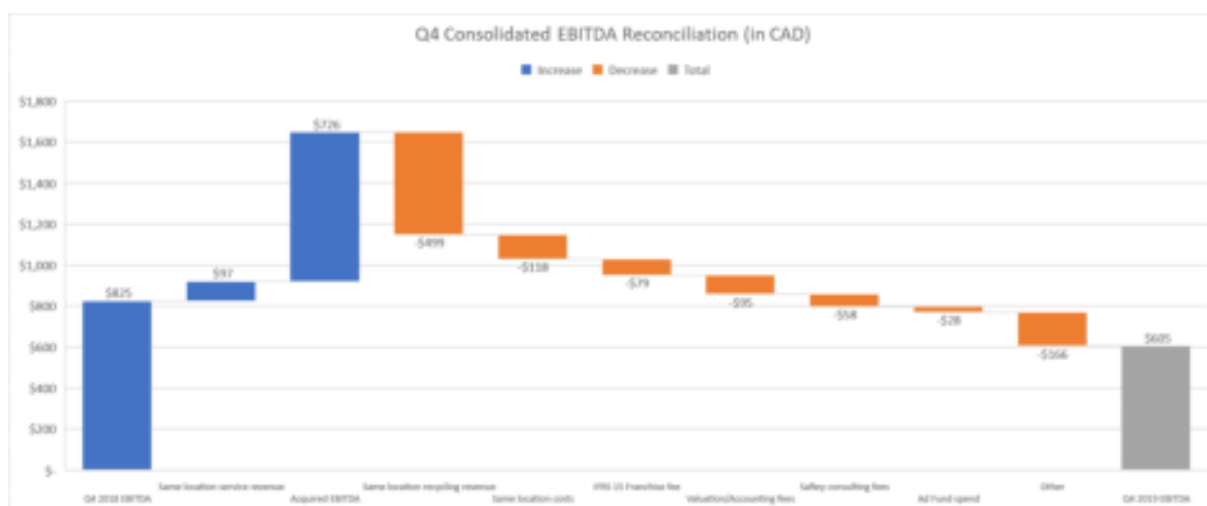
For the 3 months ended December 31,	Total Locations			Same Locations		
	2019	2018	Change	2019	2018	Change
	\$	\$	\$	\$	\$	\$
EBITDA	1,046	891	155	495	891	(396)
Operating income	472	625	(153)	170	625	(455)
Recycling revenue	407	572	(165)	191	572	(381)

Consolidated EBITDA and Operating Income

Q4-2019 Results

During Q4-2019, the Company's consolidated EBITDA declined by 27% or CAD\$220,000 as compared to Q4-2018. Operating income declined by 124% or CAD\$578,000 during Q4-2019 as compared to Q4-2018. The decline in EBITDA was due to the following:

1. Recycling revenue decline of CAD\$499,000 driven by a 64% fall in paper prices;
2. Year-end adjustments to franchise fees in 2019 and 2018 related to IFRS 15 resulting in a year over year decline of CAD\$79,000;
3. Accounting and valuation fees which increased by CAD\$95,000 due to the acquisitions conducted; and
4. Safety consulting fees of CAD\$58,000.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

2019 Results

During 2019, the Company's consolidated EBITDA grew 43% or CAD\$1.5 million over 2018 as the Company acquired the North New Jersey business in Q4 of 2018 and the Proshred Kansas, Secure E-Cycle and Chicago businesses during 2019. The Company's consolidated operating income grew 3% or CAD\$70,000 in 2019 over 2018. The following items had an impact on growth year over year:

1. Recycling revenue decline of CAD\$872,000 for same locations due to a significant reduction in paper prices globally;
2. Acquisition costs including legal fees and vendor-related consultant fees of CAD\$527,667; and
3. Franchise fee revenue decline of CAD\$73,400 as management revised its IFRS 15 estimate with respect to franchise fees and renewal options.

Private Placement

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. The gross proceeds have been recorded net of transaction costs of \$835,252.

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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 year ended December 31, 2019, the Company acquired the assets of the Proshred Kansas City franchise, Secure E-Cycle and the Proshred Chicago franchise. The Proshred Kansas City and Chicago locations have a total of 27 trucks as of December 31, 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 drive 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 7 years, Redishred has seen a compounded annual growth rate of 18% in shredding system sales and 43% in total 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 higher 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.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

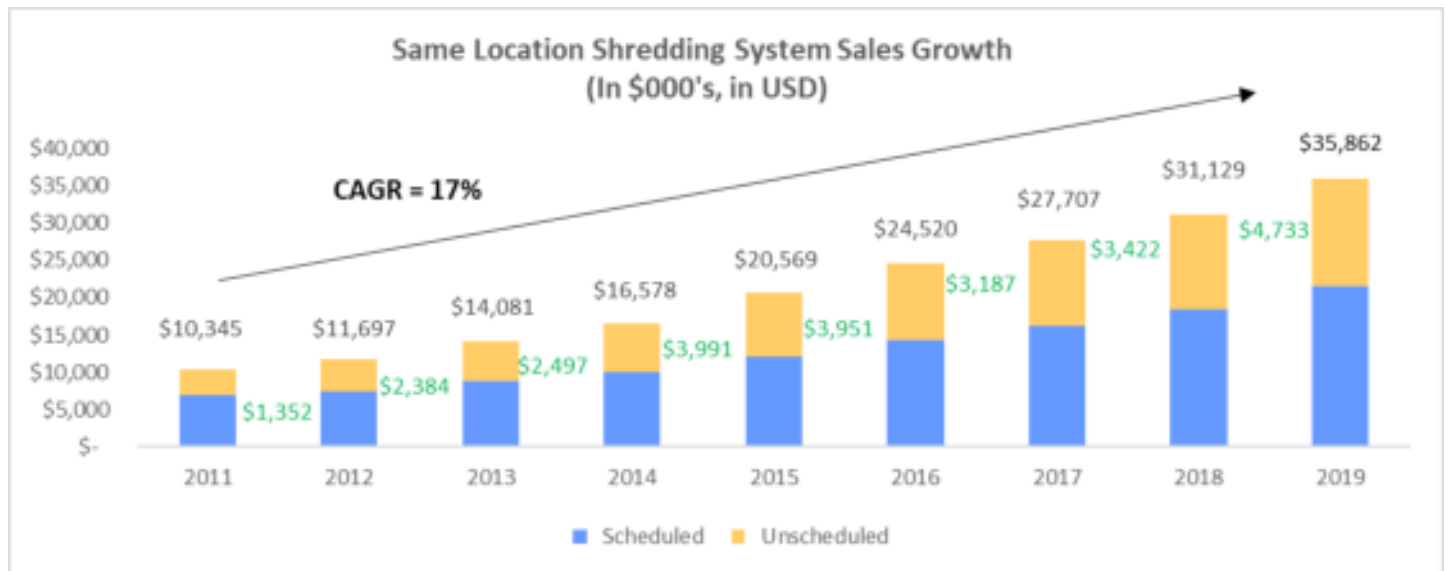
The Company's North American locations are as follows:

Number	Franchised Location	Markets Served	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 (Corporate as of March 1, 2020)
6.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
7.	Baltimore, MD	Baltimore and Washington, DC	November 2007
8.	Orange County, CA	Orange County	September 2009
9.	San Diego, CA	San Diego	October 2010
10.	Indianapolis, IN	Greater Indianapolis area	June 2011
11.	Atlanta, GA	Greater Atlanta area	January 2012
12.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
13.	Dallas, TX	Dallas and Fort Worth	March 2012
14.	Houston, TX	Greater Houston area	November 2012
15.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013
16.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
17.	Seattle, WA	Seattle and Tacoma	October 2013
18.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
19.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
20.	St. Louis, MO	Greater St. Louis area	August 2016

Number	Corporate Location	Markets Served	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004 Corporately since May 2010
		Buffalo and Rochester	October 2017
		Watertown	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003 Corporately since July 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Bergen County, NJ, Staten Island and Long Island	January 2008 Corporately since January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003 Corporately since January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008 Corporately since January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006 Corporately since July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008 Corporately since April 2017
8.	North New Jersey, NJ	All counties north of Middlesex county	June 2005 (as Safe Shredding) Corporately since October 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006 Corporately since February 2019
10.	Chicago, IL	Greater Chicagoland area	April 2007 Corporately since October 2019

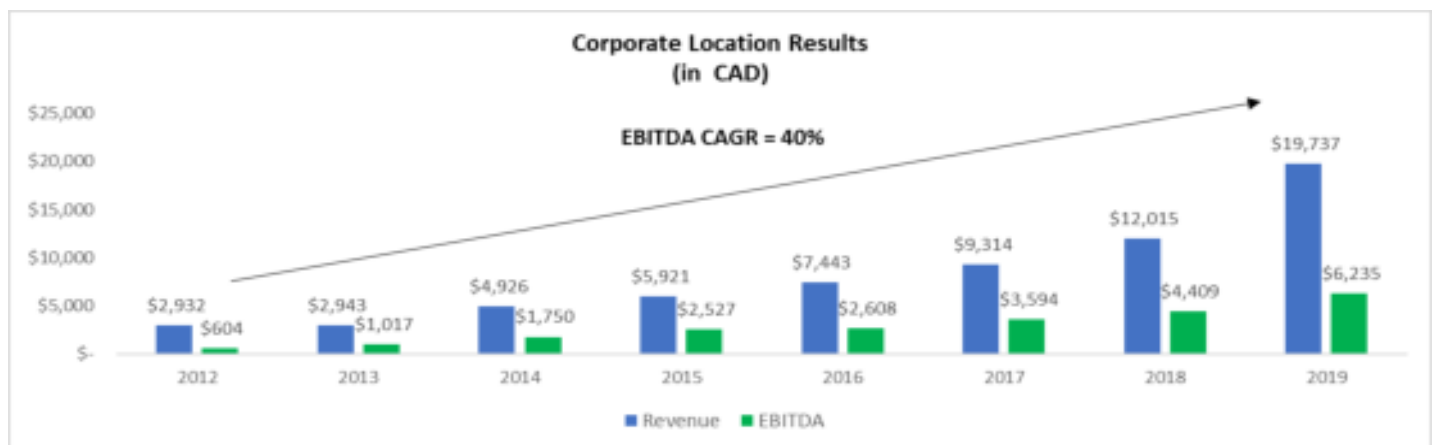
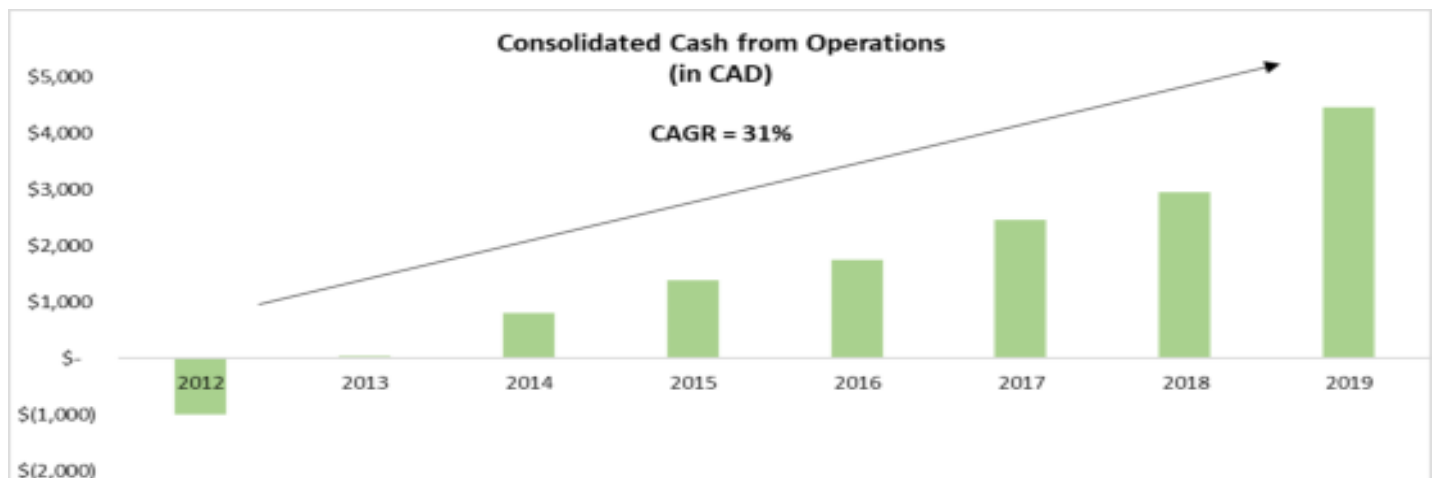
**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)



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.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

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Performance Compared to 2019 Targets⁽¹⁾

Growth of Same Location Shredding System Sales:	
Target⁽²⁾	Growth of 10% to \$34M USD.
Performance <i>Exceeded Target</i>	Redishred's same location shredding system sales grew by 14% during 2019, achieving \$36M USD.

Consolidated EBITDA and Operating Income from same locations⁽³⁾:	
Target	Earn EBITDA of \$3.5M from same locations, growing by 14% over 2018 EBITDA. Earn operating income of \$2.1M from same locations, growing by 11% over 2018 operating income. This does not include the North New Jersey, Kansas and Chicago results as the locations were not operating during the same period in 2018.
Performance <i>Did not achieve Target</i>	During 2019, Redishred earned \$2.4M in EBITDA from same locations, declining 20% or \$597,000 over 2018. Operating income from same locations for 2019 was \$1.1M, declining 42% or \$804,000 as compared to the same comparative period. The decline in commodity paper prices of 32% during 2019 versus 2018 resulted in an \$872,000 decline in same location recycling revenue year over year. EBITDA and operating income growth would have been 9% and 4% respectively, if paper prices remained at the 2018 levels.

EBITDA and Operating Income from acquired operations:	
Target	Attain EBITDA margin of at least 35% and operating income margin of 27% prior to transition and acquisition costs.
Performance <i>Partially achieved Target</i>	During 2019, the EBITDA margin for acquired operations was 35% and operating income margin was 22%.

Franchise Development:	
Target	Award one new franchise in the United States.
Performance <i>Did not achieve Target</i>	The Company did not award any new franchise locations during 2019. Redishred is actively pursuing franchise opportunities in available markets.

Expand by way of Accretive Acquisitions:	
Target	Conduct between \$7M and \$10M of acquisitions. The Company has revised the target to \$15M of acquisitions.
Performance <i>Exceeded Target</i>	During 2019, the Company completed \$26M in acquisitions with the purchase of the Proshred Kansas City, Secure E-Cycle and Chicago businesses. Redishred continues to identify and market to acquisition targets in the United States. Subsequent to year-end, the Company purchased the Proshred Connecticut business for approximately \$6 million.

- (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.
(3) EBITDA is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead generated by corporately operated locations. Operating income is inclusive of depreciation on tangible assets, including trucks, right of use assets and secure collection containers. It does not include amortization related to intangible assets, allocations for corporate overhead or interest expense.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

2020 and Longer-term Targets

Growth of Same Location Shredding System Sales:

2020 Target Growth of 8% to 10%, attaining USD\$41M to USD\$42M.

Longer-term target Growth averaging over 8% per year.

Growth in Same Location EBITDA and Operating Income:

2020 Target Same location EBITDA and operating income growth of 2% to 5%, attaining \$6.4M to \$6.5M.

Longer-term target Same location EBITDA and Operating Income growth average over 2% per year.

EBITDA and Operating Income from acquired operations:

2020 Target Attain EBITDA margin of at least 32% and operating income margin of 25% prior to transition and acquisition costs.

Longer-term target Maintain EBITDA and operating income margins of at least 30% and 22% respectively.

Franchise Development:

2020 Target Open one new market in the United States by way of franchising.

Longer-term target Continue to add one new market per annum.

Expand by way of Accretive Acquisitions:

2020 Target Add USD\$3M to USD\$4M in revenue by way of acquisitions.

Longer-term target Increase the Corporately operated portfolio from 10 to 13 locations by 2021. Expand the Proshred footprint by at least one location per year.

(1) Refer to page 44 – Subsequent Events for further information on the impact of COVID-19.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Total System Sales

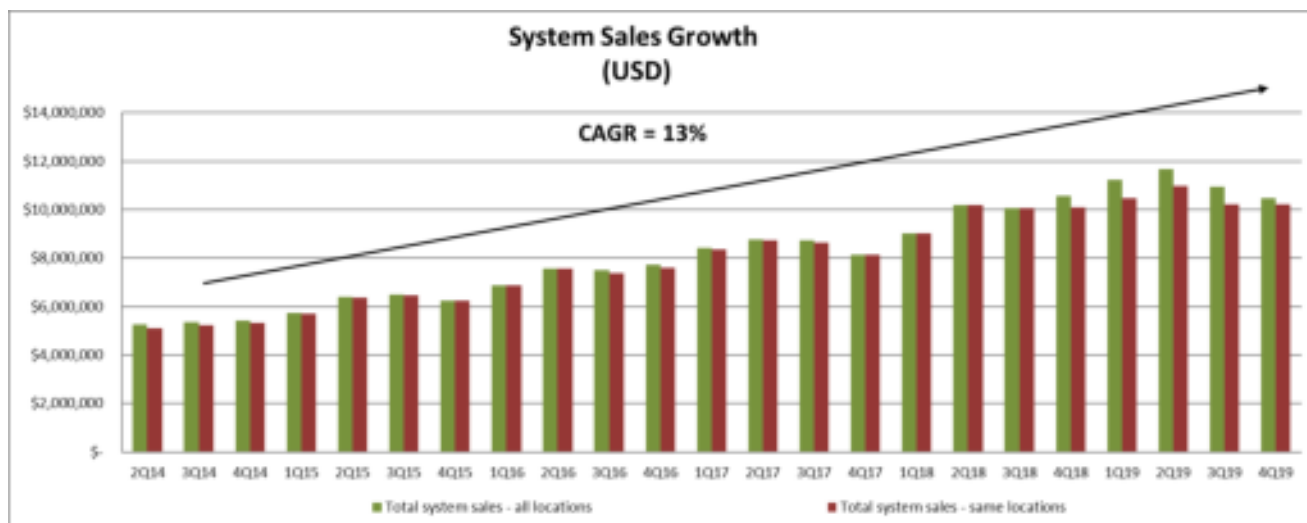
Franchisees and corporate locations generate revenue by (1) providing shredding services and disposal of electronic waste services to their customers, (2) selling recycled paper and other recyclable by-products (ie. metals and plastics) and (3) the resale of certain electronics collected from customers. These sales are the key driver of royalty and service fee revenue. Total system sales are broken into three categories, scheduled sales, unscheduled sales and recycling sales. Total system sales declined in Q4-2019 as compared to Q4-2018 as a result of the decline in paper prices however shredding system sales grew by USD\$1.4 million over the same period. During fiscal 2019, total system sales grew 11% (same locations grew 5%) over fiscal 2018, despite the continued decline in paper prices during the year.

System sales are denominated and reported in USD during the reported periods as follows:

	For the three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Total North American operating locations at period end	30	30	0%	30	30	0%
Total system sales (USD)	\$ 10,477	\$ 10,576	(1)%	\$ 44,321	\$ 39,841	11%
Total same location system sales (USD)	\$ 10,205	\$ 10,576	(4)%	\$ 41,886	\$ 39,841	5%

System Sales Trend:

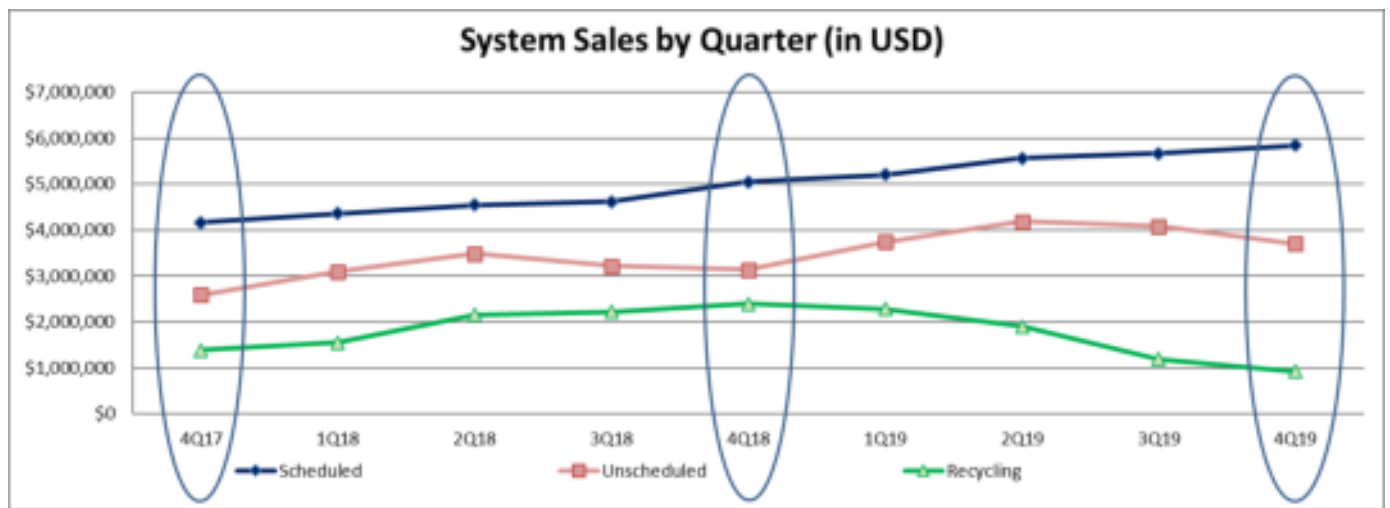
The following chart illustrates system sales growth in USD by quarter since the second quarter of 2014.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

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



Scheduled system sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Proshred sales and marketing strategies 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 same location growth of 18% and 16% for the three and twelve months ended December 31, 2019, as compared to the same periods of 2018.

Recurring scheduled system sales accounted for 61% of total service system sales in 2019 (62% - 2018).

	For the three months ended December 31			For the twelve months ended December 31		
	2019 \$	2018 \$	% Change	2019 \$	2018 \$	% Change
Scheduled system sales (USD)	5,850	5,048	16%	22,304	18,581	20%
Same location scheduled system sales (USD)	5,850	5,048	16%	21,556	18,581	16%



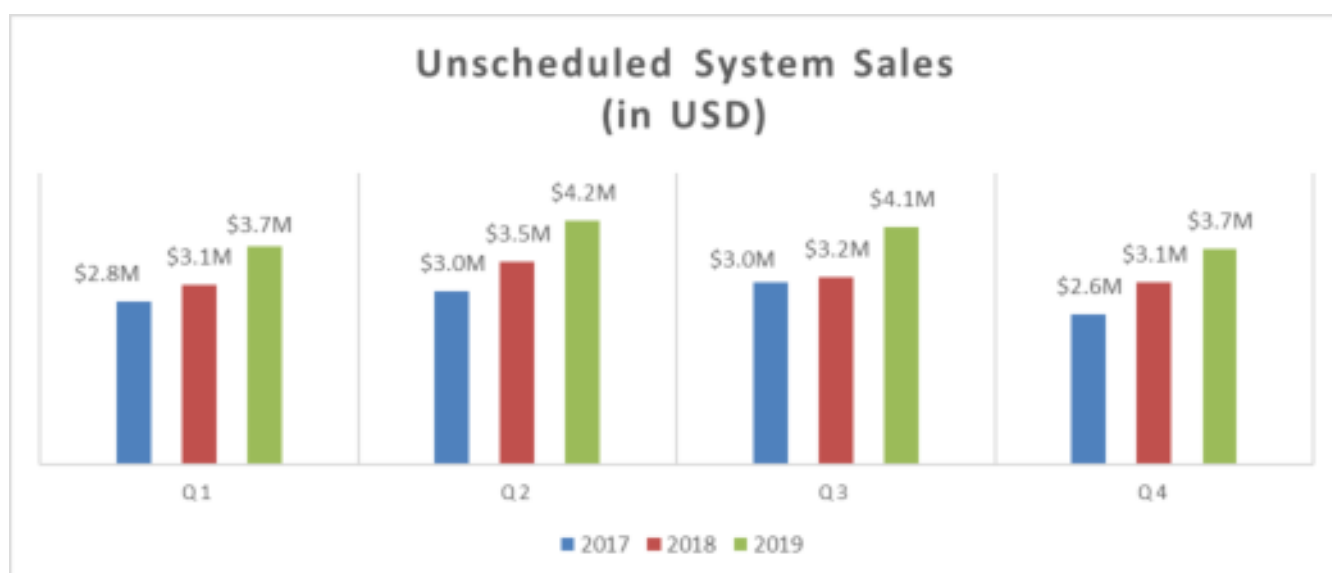
**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Unscheduled system sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements. 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. Same location unscheduled sales grew by 10% and 11% for the three and twelve months ended December 31, 2019, as compared to the same period of 2018.

	For the three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
Unscheduled system sales (USD)	3,705	3,136	18%	15,718	12,936	22%
Same location unscheduled system sales (USD)	3,439	3,136	10%	14,306	12,936	11%



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

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 three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
Recycling system sales (USD)	\$ 922	\$ 2,392	(61)%	\$ 6,299	\$ 8,324	(24)%
Same location recycling system sales (USD)	\$ 917	\$ 2,392	(62)%	\$ 6,024	\$ 8,324	(28)%
Tonnage processed (units)	12,000	11,000	9%	52,200	46,000	14%
Average paper price per ton	\$ 67	\$ 185	(64)%	\$ 115	\$ 168	(32)%



Paper Pricing Trends:

During the three months ended December 31, 2019, the average paper price in the Proshred system continued to decline in Q4-2019 from \$85 per ton in Q3-2019 to \$67 per ton. The average paper price in the Proshred system in Q4-2019 was 64% lower than in Q4-2018. This led to a decline of US\$1.5 million in same location recycling system sales in Q4-2019 as compared to Q4-2018.

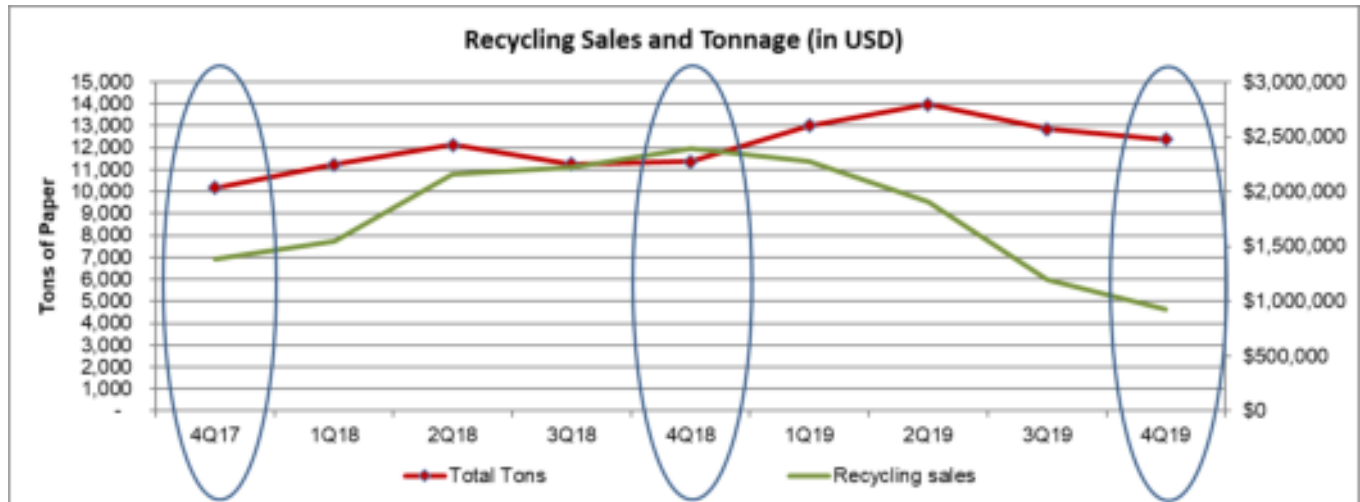


**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

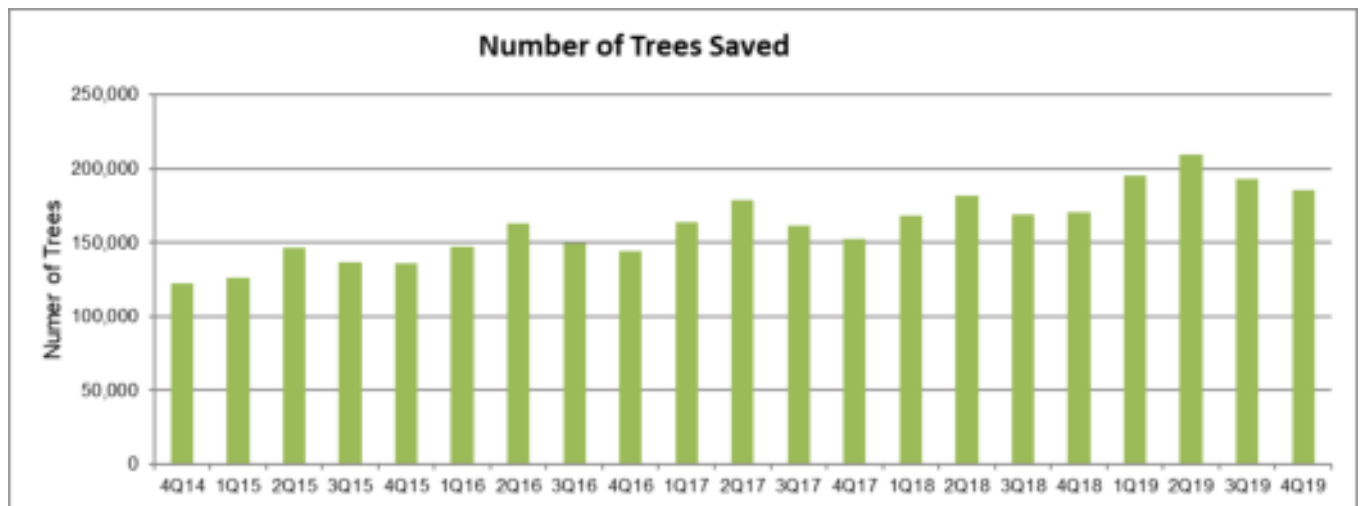
Dollar amounts in thousands of Canadian dollars (except as noted)

Historical Volume of Paper:

During 2019, the system shred and recycled 14% more paper than in 2018. The Proshred system shred and recycled 52,000 tons of paper during the year (46,000 – during 2018), which equates to 783,000 trees being saved (690,000 – during 2018).⁽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.

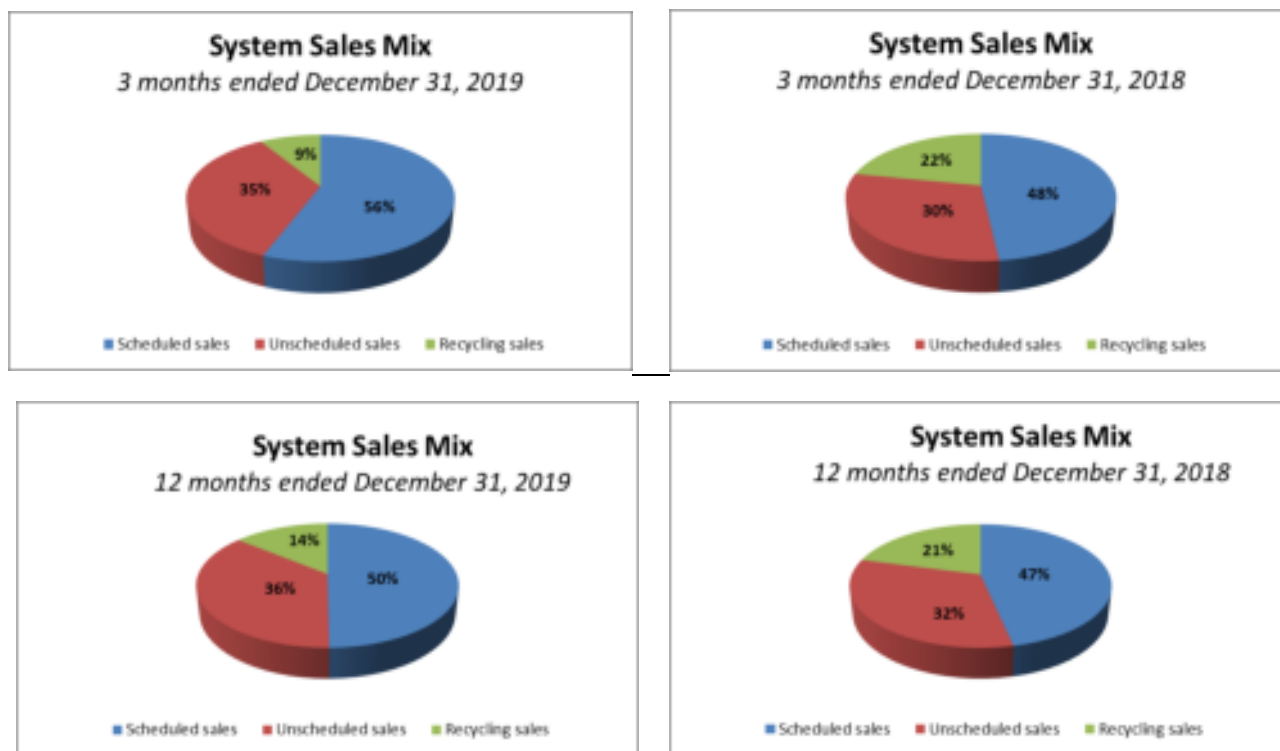


(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

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.

During Q4-2019, royalty and services fees denominated in USD declined by 12% over Q4-2018. With the acquisitions of the Kansas City franchise on January 31, 2019 and the Chicago franchise on October 1, 2019, the Company now earns corporate location revenue and no longer earns royalty fees from these locations. Royalty and service fees denominated in USD for same franchise locations grew by 14% and 10% for the three and twelve months ended December 31, 2019, as compared to the same period of 2018.

As the Company earns all franchising and licensing related revenues in USD, 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.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Franchising & Licensing (continued)

Royalties, license and service fees

For the three months ended December 31,	Total Franchise Locations			Same Franchise Locations		
	2019	2018	% Change	2019	2018	% Change
Total number of franchisees operating at period end	20	22	(9)%	20	20	0%
In CAD: Royalty, license and service fees	\$ 499	\$ 552	(10)%	\$ 499	\$ 424	18%
In USD: Royalty, license and service fees	\$ 376	\$ 426	(12)%	\$ 376	\$ 330	14%

For the twelve months ended December 31,	Total Franchise Locations			Same Franchise Locations		
	2019	2018	% Change	2019	2018	% Change
Total number of franchisees operating at period end	20	22	(9)%	20	20	0%
In CAD: Royalty, license and service fees	\$ 2,231	\$ 2,166	3%	\$ 2,231	\$ 1,980	13%
In USD: Royalty, license and service fees	\$ 1,682	\$ 1,672	1%	\$ 1,682	\$ 1,528	10%

Franchise fees

In Q4-2019 the Company recorded an adjusting entry to franchise fees as management revised its estimate with respect to franchise fees and renewal options. As a result, an increased amount of franchise fees has been deferred to future years. In Q4-2018 the Company recorded the IFRS 15 franchise fee with the adoption of IFRS 15.

	For the 3 months ended December 31,			For the 12 months ended December 31,		
	2019	2018 (restated)	% Change	2019	2018	% Change
In CAD: Franchise fees	(21,581)	57,013	(138)%	151,693	225,075	(33)%
In USD: Franchise fees	(16,264)	42,867	(138)%	114,321	173,709	(34)%

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

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 regards 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 \$155,162 as at December 31, 2019 and the fund may incur a continued loss going forward 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 to the adoption of IFRS 15 in 2018, the Company recorded the net balance of the fund on its Statements of Financial Position.

The Ad Fund revenue increased during the three and twelve months ended December 31, 2019 as compared to the same periods 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 three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
Ad fund contributions	70	73	(4)%	287	254	13%
Ad fund expenses	(155)	(79)	(96)%	(403)	(342)	(18)%
Ad fund loss	(85)	(6)	(1316)%	(116)	(88)	(32)%

As at,

	December 31, 2019	December 31, 2018	
	\$	\$	
Cash attributable to the Ad fund	155	216	28%

In USD:

	For the three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
Ad fund contributions	56	56	0%	217	198	10%
Ad fund expenses	(69)	(60)	(15)%	(304)	(264)	(15)%
Ad fund loss	(13)	(4)	(225)%	(87)	(68)	(28)%

As at,

	December 31, 2019	December 31, 2018	
	\$	\$	
Cash attributable to the Ad fund	119	166	28%

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Locations

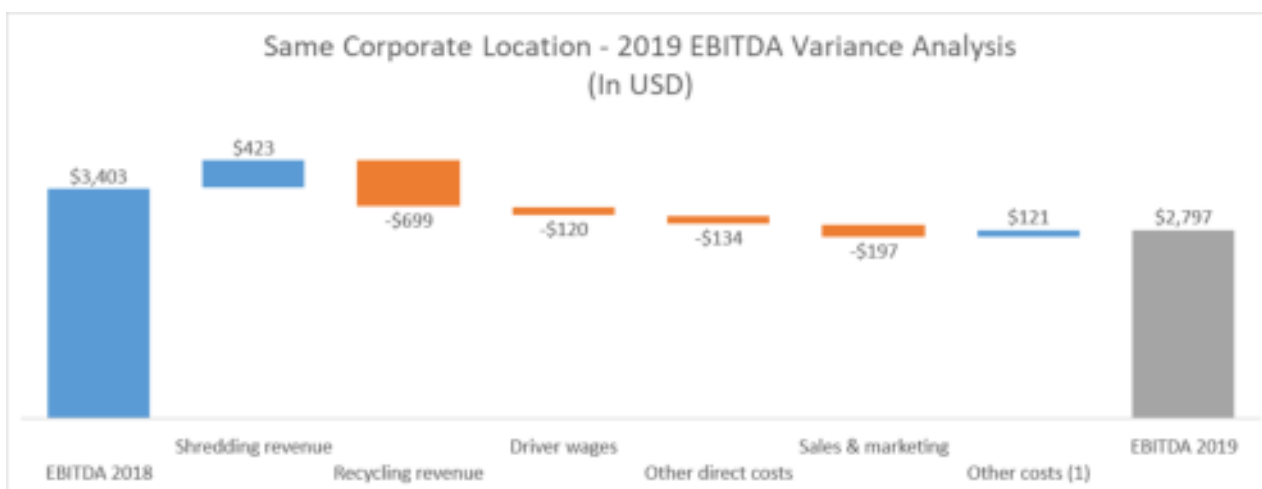
As of December 31, 2019, the Company operates ten locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey, Kansas and Chicago.

As a result of the acquisitions conducted over the last 12 months, total corporate location revenues in USD grew by 61% and 60% for the three and twelve months ended December 31, 2019, as compared to the same periods of 2018. In addition, EBITDA grew by 20% and 38% for the three and twelve months ended December 31, 2019 over the prior comparative periods.

With the adoption of the new IFRS 16 standard, the lease rental expense previously included in operating costs have now been replaced with a charge for depreciation of the right-of-use 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 25 and 27.

For the year ended December 31, 2019, same location EBITDA in USD declined by 18% as compared to the same period of 2018. The primary items impacting the decline are provided below.

Items that impacted 2019:	Actions being taken:
Shredding sales continue to grow, with same location shredding sales in USD growing 6% in 2019 over the prior comparative period.	Management invested in sales human resources and technology tools such as CRM to drive shredding sales to offset the volatility in unscheduled revenue and the declines in recycling sales.
Commodity paper prices declined significantly in the 2 nd to 4 th quarters of 2019, causing recycling revenue to be down USD\$699,000 or 39% in 2019 over 2018 for same corporate locations.	Management has been and will continue to focus sales efforts on scheduled sales, thereby building durable revenue and tonnage. Subsequent to year-end, commodity paper prices have recovered by up to \$70 per ton from January to April 2020.
Truck 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. During Q3-2019 and Q4-2019, routing efficiencies improved over the first two quarters of 2019 resulting in improved operating income margin in Q3-2019 and Q4-2019 over the prior comparative period.	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 rolled out enhanced routing technology with a view to further optimizing routes and increase route density.



1. Other costs include the IFRS 16 adjustments.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

2019 Corporate Location Results

In USD	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the years ended December 31,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding service	12,962	7,482	73%	7,905	7,482	6%	5,057	-
Recycling	1,912	1,791	7%	1,092	1,791	(39)%	820	-
Total revenue	14,874	9,273	60%	8,997	9,273	(3)%	5,877	-
Operating costs	10,175	5,870	(73)%	6,200	5,870	(6)%	3,975	-
EBITDA	4,699	3,403	38%	2,797	3,403	(18)%	1,902	-
<i>% of revenue</i>	32%	37%	(5)%	31%	37%	(6)%	32%	-
Depreciation – tangible assets	1,920	882	(118)%	1,122	882	(27)%	798	-
Operating income	2,779	2,521	10%	1,675	2,521	(34)%	1,104	-
<i>% of revenue</i>	19%	27%	(8)%	19%	27%	(8)%	19%	-
Operating income less recycling	867	730	19%	583	730	(20)%	284	-
<i>% of revenue</i>	7%	10%	(3)%	7%	10%	(3)%	6%	-

Proforma 2019 Corporate Location Results excluding IFRS 16

In USD	2019	IFRS 16	Proforma	2018	%
For the 12 months ended December 31,	As reported	adjustments	excluding IFRS 16 adjustments	As reported	change
Total Corporate Location EBITDA	\$4,699	\$(363)	\$4,336	\$3,403	27%
<i>EBITDA margin</i>	32%		29%	37%	(8)%
Total Corporate Location Operating Income	\$2,779	\$(14)	\$2,765	\$2,521	10%
<i>Operating income margin</i>	19%		19%	27%	(8)%
Same Corporate Location EBITDA	\$2,797	\$(232)	\$2,565	\$3,403	(25)%
<i>EBITDA margin</i>	31%		29%	37%	(8)%
Same Corporate Location Operating Income	\$1,675	\$(4)	\$1,671	\$2,521	(34)%
<i>Operating income margin</i>	19%		19%	27%	(8)%
Non-same Corporate Location EBITDA	\$1,902	\$(131)	\$1,771	-	-
<i>EBITDA margin</i>	32%		30%	-	-
Non-same Corporate Location Operating Income	\$1,104	\$(10)	\$1,094	-	-
<i>Operating income margin</i>	19%		19%	-	-

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

In CAD	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the years ended December 31,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	17,200	9,694	77%	10,489	9,694	8%	6,711	-
Recycling sales	2,537	2,321	9%	1,449	2,321	(38%)	1,088	-
Total sales	19,737	12,015	64%	11,938	12,015	(1)%	7,799	-
Operating costs (note 1)	13,502	7,606	(78)%	8,227	7,606	(8)%	5,275	-
EBITDA	6,235	4,409	41%	3,711	4,409	(16)%	2,524	-
% of revenue	32%	37%	(5)%	31%	37%	(6)%	32%	-
Depreciation – tangible assets	2,548	1,142	(123)%	1,489	1,142	(30)%	1,059	-
Operating income	3,687	3,267	13%	2,222	3,267	(32)%	1,465	-
% of revenue	19%	27%	(8)%	19%	27%	(8)%	19%	-
Operating income less recycling	1,150	946	22%	773	946	(18)%	377	-
% of revenue	7%	10%	(3)%	7%	10%	(3)%	6%	-

Note 1: During 2019, vendor-related consulting fees of \$357,493 are included in the non-same operating costs which accounts for 5% of non-same revenue and 2% of total revenue.

Q4-2019 Corporate Location Results

Same location EBITDA in USD declined by 44% (or US\$396,000) during the fourth quarter of 2019 as compared to the prior comparative period. The decline was primarily driven by the fall in commodity paper prices which led to a US\$381,000 decline in recycling sales which accounted for 96% of the decline. The increase in sales and marketing costs led to an increase in the number of unscheduled clients serviced, however the average size per unscheduled client has declined. The Company has continued to emphasize its marketing programs towards the acquisition of scheduled clients and the conversion of unscheduled clients to scheduled clients to drive growth in recurring revenue.



1. Other costs include the IFRS 16 adjustments.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

The results of the two acquisitions conducted during Q1-2019 and Q4-2019 are included under non-same corporate locations for the Q4-2019 results as the Company was not operating these businesses during Q4-2018.

In USD	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the 3 months ended December 31,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	3,939	2,183	80%	2,241	2,183	3%	1,698	-
Recycling sales	408	572	(29)%	191	572	(67)%	217	-
Total sales	4,347	2,755	58%	2,432	2,755	(12)%	1,915	-
Operating costs (note 1)	3,300	1,864	77%	1,936	1,864	(4)%	1,364	-
EBITDA	1,047	891	17%	496	891	(44)%	551	-
% of revenue	24%	32%	(8)%	20%	32%	(12)%	29%	-
Depreciation – tangible assets	573	266	(115)%	326	266	(22)%	247	-
Operating income	474	625	(24)%	170	625	(73)%	304	-
% of revenue	11%	23%	(12)%	7%	23%	(16)%	16%	-
Operating income less recycling	66	(102)	88%	(21)	(102)	(79)%	87	-
% of revenue	2%	(5)%	3%	(1)%	(5)%	4%	5%	-

Note 1: During Q4-2019, vendor-related consulting fees of \$74,090 are included in non-same operating costs which accounts for 3% of non-same revenue and 1% of total revenue.

Proforma Q4-2019 Corporate Location Results excluding IFRS 16

In USD	2019	IFRS 16	Proforma	2018	%
For the 3 months ended December 31,	As reported	adjustments	excluding IFRS 16 adjustments	As reported	change
Total Corporate Location EBITDA	\$1,046	\$(119)	\$927	\$891	4%
EBITDA margin	24%		21%	32%	(11)%
Total Corporate Location Operating Income	\$473	\$(53)	\$420	\$625	(33)%
Operating income margin	17%		10%	23%	(13)%
Same Corporate Location EBITDA	\$495	\$(60)	\$435	\$891	(51)%
EBITDA margin	20%		18%	32%	(14)%
Same Corporate Location Operating Income	\$170	\$(15)	\$155	\$625	(75)%
Operating income margin	7%		6%	23%	(17)%
Non-same Corporate Location EBITDA	\$550	\$(59)	\$491	-	-
EBITDA margin	29%		26%	-	-
Non-same Corporate Location Operating Income	\$303	\$(38)	\$265	-	-
Operating income margin	16%		14%	-	-

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

In CAD For the 3 months ended December 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	5,198	2,859	82%	2,956	2,859	3%	2,242	-
Recycling sales	536	749	(28)%	250	749	(67)%	286	-
Total sales	5,734	3,608	59%	3,206	3,608	(11)%	2,528	-
Operating costs	4,358	2,438	79%	2,556	2,438	5%	1,802	-
EBITDA	1,376	1,170	18%	650	1,170	(44)%	726	-
<i>% of revenue</i>	24%	32%	(8)%	20%	32%	(12)%	29%	-
Depreciation – tangible assets	756	349	(117)%	430	349	(23)%	326	-
Operating income	620	821	(24)%	220	821	(73)%	400	-
<i>% of revenue</i>	11%	23%	(12)%	7%	23%	(16)%	16%	-
Operating income less recycling	84	72	16%	(30)	72	(142)%	114	-
<i>% of revenue</i>	2%	3%	(1)%	(1)%	3%	(4)%	5%	-

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses 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 right-of-use assets 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.

Selling, general and administrative expenses excluding IFRS 16 adjustments for the three and twelve months ended December 31, 2019 increased by 37% and 10% as compared to the same periods of 2018. During 2019, the Company hired additional sales and operational support staff to continue to support franchisees and acquired locations.

SG&A expenses incurred during Q4-2019 include:

1. Accounting and valuation fees which increased by CAD\$95,000 due to the acquisitions conducted; and
2. Safety consultancy of CAD\$58,000
3. The acquisition costs of CAD\$24,000 related to the Chicago acquisition closed on October 1, 2019.

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

	For the three months ended December 31			For the twelve months ended December 31		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
In CAD:						
Salaries and benefits	420	358	(17)%	1,613	1,481	(9)%
Stock based compensation	32	19	(68)%	164	248	34%
Acquisition costs	24	51	53%	170	132	(29)%
Other expenses	687	437	(57)%	1,510	1,335	(13)%
Total SG&A expenses⁽¹⁾	1,163	865	(34)%	3,457	3,196	(8)%

Note 1: Does not include Ad Fund expenses. Refer to page 20 for further details.

	2019 As reported	IFRS 16 adjustments	Proforma excluding IFRS 16 adjustments	2018 As reported	% change
<i>For the three months ended December 31,</i>					
Total SG&A expenses	\$1,163	\$19	\$1,182	\$865	(37)%
<i>For the twelve months ended December 31,</i>					
Total SG&A expenses	\$3,457	\$74	\$3,531	\$3,196	(10)%

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Other Income and Expenses

Depreciation and Amortization – Franchising

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

Depreciation and amortization is as follows:

	For the three months ended December 31,			For the twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
In CAD:						
Depreciation – tangible assets	-	10	100%	-	33	100%
Amortization – intangible assets	5	-	(100)%	19	79	76%

Amortization – Corporate locations

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

	For the three months ended December 31,			For the twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
In CAD:						
Amortization – intangible assets	295	169	(75)%	863	447	(93)%
In USD:						
Amortization – intangible assets	223	130	(71)%	638	346	(84)%

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Foreign exchange

The Company has revenues and costs that are denominated in USD's; this dependency on the USD typically causes foreign exchange gains when the Canadian dollar depreciates versus the USD. The Company has significant dollar value assets denominated in USD's 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,	December 31, 2019	December 31, 2018	% Change
	\$	\$	
Close rate	1.30	1.36	(4)%
For the twelve months ended,	December 31, 2019	December 31, 2018	% Change
	\$	\$	
Average rate	1.33	1.29	3%

Foreign exchange (loss) gain was as follows:

	For the three months ended December 31,			For the twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
Foreign exchange (loss) gain	(749)	625	220%	(1,318)	737	(281)%

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Interest income and expense

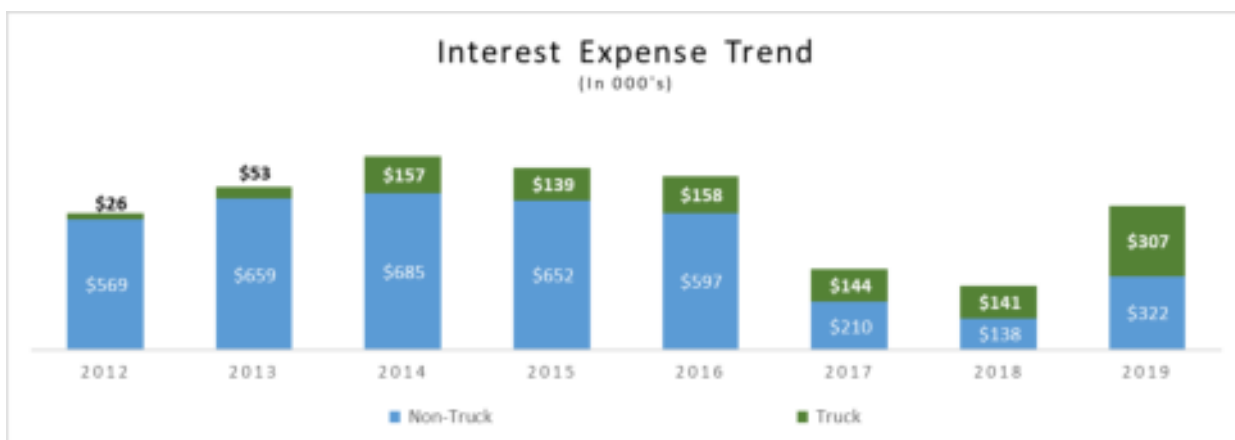
Interest income is derived from cash savings accounts and Guaranteed Investment Certificates (GIC's) held by the Company and by way of finance income related to the financing of franchise fees.

Interest expense for the year ended December 31, 2019 relates to the following:

- the Company's term loans, which currently bear interest at 4.95% and 3.50% per annum,
- truck loan agreements, which bear interest at 4.54% to 6.75% per annum and
- the Company's lease liabilities related to the transition to IFRS 16.

Interest expense increased 147% and 125% during the three and twelve months ended December 31, 2019, as compared to the same period of 2018. The increases were due to the following:

- (1) the transition to IFRS 16 which resulted in imputed interest on lease liabilities;
- (2) the purchase of new trucks during 2019 which were all financed;
- (3) notes payable related to the acquisitions conducted; and
- (4) the \$12.7 million advance made on the Company's term loans during 2019.



	For the three months ended December 31,			For the twelve months ended December 31,		
	2019	2018	% Change	2019	2018	% Change
	\$	\$		\$	\$	
Interest income	19	54	(65)%	81	69	17%
Interest expense	(188)	(76)	(147)%	(629)	(279)	(125)%

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

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, 2039. During 2018 and 2019, the Company recognized all temporary differences and non-capital losses.

Reconciliation of EBITDA to Net Income

	For the three months ended December 31,			For the twelve months ended December 31,		
	2019	2018 (restated)	% Change	2019	2018	% Change
	\$	\$		\$	\$	
EBITDA	605	825	(27)%	5,045	3,515	44%
Less: depreciation – tangible assets	(717)	(359)	(99)%	(2,635)	(1,176)	(124)%
Operating income	(112)	466	(124)%	2,410	2,340	3%
Less: interest expense	(188)	(76)	(147)%	(629)	(279)	(125)%
Add: interest income	19	54	(65)%	81	69	17%
Operating income less net interest expense	(281)	444	(163)%	1,862	2,130	(13)%
Less: amortization - intangible assets	(510)	(169)	(202)%	(1,387)	(527)	(163)%
Add: gain on sale of assets	6	15	(160)%	81	8	1388%
Add: transaction recovery	23	-	100%	23	46	100%
(Loss) income before foreign exchange and income tax	(752)	290	(264)%	594	1,657	(64)%
Add: foreign exchange (loss) gain	(733)	625	220%	(1,318)	737	(281)%
Less/add: income tax (expense) recovery	104	159	(35)%	(40)	319	(113)%
Net income	(1,396)	1,074	(230)%	(778)	2,712	(129)%

Selected Annual Information

	2019	2018	2017
	\$	\$	\$
Total Revenue	22,407,061	14,660,333	11,946,372
Net (loss) income	(778,774)	2,712,478	1,056,208
Operating income less net interest expense per share – diluted	0.025	0.037	0.039
Net income per share – basic and diluted	(0.01)	0.05	0.02
Total assets	53,769,677	27,942,961	11,505,832
Total non-current financial liabilities	15,713,554	4,505,066	3,181,702
Dividends	-	-	-

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

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⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Total system sales (USD)	10,477	10,954	11,664	11,226	10,576	10,067	10,192	9,005
Consolidated Performance								
Revenue	6,282	5,353	5,570	5,203	4,470	3,692	3,584	3,154
EBITDA	605	1,129	1,691	1,620	825	846	956	799
Operating (Loss) Income	(97)	441	1,034	1,032	466	549	684	551
Corporate Location Performance								
Revenue	5,734	4,662	4,833	4,507	3,608	2,978	2,924	2,506
EBITDA	1,376	1,432	1,704	1,723	1,170	1,038	1,179	1,023
Operating Income	620	801	1,091	1,176	821	753	912	781
Operating (loss) income per weighted average share fully diluted	(0.001)	0.006	0.015	0.015	0.010	0.008	0.011	0.011
(Loss) income before taxes from continuing operations	(1,500)	163	30	569	915	280	632	479
(Loss) income attributable to owners of the parent	(1,396)	153	(81)	545	1,206	331	720	501
Basic and diluted net (loss) income per share	(.01)	.00	(.00)	.01	.02	.01	.01	.01

(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.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

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 December 31,	2019	2018	% Change
Working capital	\$4,432	\$7,288	(39)%
Total assets	\$53,769	\$27,943	91%
Total liabilities	\$23,869	\$7,995	(198)%
Total current liabilities	\$8,155	\$3,490	(133)%
Debt to total assets ratio	0.44	0.29	(55)%
Normalized Fixed Charge Coverage ratio – rolling 12 months	2.39	1.94	(23)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	2.94	1.69	(74)%

As at December 31, 2019, the Company's total assets have increased over December 31, 2018 due to the following:

1. On January 31, 2019, the Company completed the acquisition of the Kansas and Secure E-cycle businesses which resulted in a total of \$10.8 million in assets purchased.
2. On October 1, 2019, the Company completed the acquisition of the Chicago business which resulted in \$15 million in assets purchased.

As at December 31, 2019, the Company's total liabilities increased over December 31, 2018 due to the following:

1. The Company's lender advanced \$12.7 million related to the Kansas and Chicago acquisitions.
2. The Kansas and Chicago acquisitions included 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 Statement of Financial Position.

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.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Bank indebtedness

As of December 31, 2019, the Company has the following secured senior credit facilities:

- (1) An operating line of credit of CAD\$1 million;
- (2) A non-revolving term loan in the amount of CAD\$3 million and;
- (3) A non-revolving term loan in the amount of USD\$10 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As of December 31, 2019, the Company has advanced the following amounts:

<u>Date of Advance</u>	<u>Initial amount</u>	<u>Interest per annum</u>	<u>Amortization period</u>	<u>December 31, 2019 Balance</u>
August, 2017	\$2,006,743	4.95%	60 months	\$1,036,817
May, 2019	\$6,003,210	3.50%	72 months	\$5,492,638
November, 2019	\$6,664,242	3.50%	72 months	\$6,594,113
Total bank indebtedness				\$13,123,568

On May 6, 2019, the Company 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%.

As of December 31, 2019, the Company has CAD\$2.0 million available on its senior credit facilities.

Truck loans

The Company has 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 in increments of one year, at which time an annual credit review is completed. The interest rate is based on prevailing market rates at the time the line is used. The term of the loans are at the discretion of the Company. As of December 31, 2019, the Company has received an advance of USD\$1,298,789 on the line of credit, which is included in the truck loans balance. The Company has USD\$401,211 available for use on the line of credit as of December 31, 2019.

The Company has financed the purchase of its shredding vehicles and as of December 31, 2019, the Company has an outstanding truck loan balance of \$3.1 million.

Related party line of credit

The Company has a related party line of credit facility for a maximum amount of \$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 December 31, 2019, the facility has not been drawn upon (\$nil balance – December 31, 2018).

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Lease liabilities

The Company enters into leases in order to secure office and warehouse space. The Company has also entered into leases for the financing of shredding vehicles. 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 year ended December 31, 2019 is as follows:

	\$
Opening balance, January 1, 2019	1,964,811
Acquisitions	1,241,928
Additions	291,780
Interest expense	(138,028)
Lease payments	(705,315)
Foreign exchange	57,314
Closing balance, December 31, 2019	2,712,490
Less: current portion	805,920
Long-term portion	<u>1,906,570</u>

As of December 31, 2019, the Company has an outstanding truck lease balance of \$785,961.

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.

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. During the year ended December 31, 2019, the Company earned royalties, service fees and interest income of \$171,522 (2018 - \$149,858) from this franchise.

Changes in Accounting Standards

The Company adopted *IFRS 16 – Leases* effective January 1, 2019, which replaces *IAS 17 – Leases*. IFRS 16 eliminates the classification as 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 amortization 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 as at January 1, 2019.

At transition the Company applied the following practical expedients that were available:

- (i) A single discount rate to a portfolio of leases with similar characteristics;
- (ii) Excluded initial direct costs from measuring the right-of-use assets as at January 1, 2019;
- (iii) Used hindsight in determining the lease term where the contract contains purchase, extension or termination options;
- (iv) Relied upon our assessment of whether leases are onerous under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets as at December 31, 2018 as an alternative to reviewing the right-of-use-assets for impairment; and
- (v) Expense lease payments for leases with a remaining term of less than one year at January 1, 2019.

The Company has applied one recognition exemption for lessees – leases of low-value assets.

Risks and Uncertainties

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

Competition

The Company competes with numerous independent shredding operators in the document destruction business, some of which compete directly with the Company and some of which may have greater resources. Direct competitors to the Company include Iron Mountain Incorporated, Shred-It America, Inc. (now owned by Stericycle Inc.), and small, independent mobile shredding businesses.

Interest Rate Risk

The Company is subject to interest rate risk, as it pays interest at prevailing and fluctuating market rates. The Company has a variable interest rate loan and line of credit which may increase or decrease at any time and as a result may impact the Company's operating results. The Company's truck financing arrangements and term loans have fixed interest rates.

Credit Risk

The Company is exposed to credit risk from the possibility that franchisees and/or customers may experience financial difficulty and be unable to fulfill their commitments and obligations to the Company. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee or customer. Credit assessments are conducted with respect to all new franchisees. No customer accounts for more than 10% of the Company's corporate store revenues. The Company's bad debt expense was 0.1% of revenues in 2019.

Financing

The Company may require additional capital to grow its operations. 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 will be required to seek additional financing.

Acquisition Strategy

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

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

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Locations

The Company's 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 businesses.

In addition, any business expansions the Company undertakes is subject to a number of risks, including, but not limited to, having sufficient ability to raise capital to fund future expansion, and having sufficient human resources to convert, integrate and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed.

In deciding whether to acquire or expand a particular business, the Company will make certain assumptions regarding the expected future performance of that business. If the Company's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

Currency Fluctuations

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

Expansion to New Markets

It is the plan of management to continue expanding the Proshred Franchise Business in the United States including areas where customers are unfamiliar with the Proshred brand. The Company will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all.

Many of the United States markets into which management intends to expand will have competitive conditions, consumer tastes and discretionary spending patterns that differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing Franchises. Sales and profits at Franchises opened in new markets may take longer to reach expected levels or may never do so.

Litigation

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

Tax Reform

The Company may become subject to changing tax laws in multiple jurisdictions in Canada and the United States. The Company could be materially affected if there are changes in current tax regulations.

Cyber Security Risk

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Company's information technology resources and personal information. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The occurrence of a cyber incident may result in an interruption in operations, damage to the Company's reputation and/or relationships with its vendors and customers and disclosure of confidential customer or vendor information. The Company has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

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. Subjects that involve critical assumptions and estimates and that have a significant influence on the amounts recognized in the consolidated financial report are further described as follows:

i) Functional currency

The determination of Redishred and its subsidiaries' functional currency requires judgment. In determining the functional currency, management looks to various factors which include the economic environment in which the entity operates as well as other primary and secondary factors.

ii) Impairment

The Company reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The determination of the value in use and fair value of a CGU to which goodwill is allocated to involves the use of estimates by management. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment or reversal of impairment.

iii) Deferred income taxes

The Company, including its subsidiaries, operate and earn income in multiple countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining income tax assets and liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the deferred tax assets and liabilities in the period in which such determinations are made. At each date of statement of financial position, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets.

This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets and liabilities could be materially affected if changes in current tax regulations are enacted.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

iv) *Useful lives of tangible and intangible assets*

Management estimates the useful lives of tangible and definite life intangible assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of these assets for any period are affected by these estimated useful lives. On an annual basis, the Company assesses the useful lives of its tangible and intangible assets with definite lives and the useful lives updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's tangible and definite life intangible assets in the future.

v) *Leases*

Judgements are necessary in determining whether a contract contains an identified asset. The Company needs to determine whether the identified asset is physically distinct or represents substantially all of the capacity of the asset and provides the right to substantially all of the economic benefits from the use of the asset. There is also judgment required in determining whether or not the Company has the right to control the use of the identified asset. If the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used then the Company has the right to control the assets use.

The Company uses judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract, which should reflect the interest that the Company would have to pay to borrow at a similar term and security.

Judgement is also required when assessing whether it is reasonably certain that a lease extension option will be exercised. The Company typically exercises extension options on its leases however periodic reassessments are made as to whether the Company is reasonably certain to exercise the options.

vi) *Contingent consideration*

The Company uses judgement in determining the contingent consideration liabilities recorded as part of the acquisitions conducted. The contingent consideration liabilities are based on the projected, expected financial results of the acquired businesses that are likely to be met over the period of time to maturity, requiring payment of all contingent consideration liabilities.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Dollar amounts in thousands of Canadian dollars (except as noted)

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

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. The gross proceeds have been recorded net of transaction costs of \$835,252.

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

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance December 31, 2019	78,500,605	34,813,408	1,823,400	600,008	80,324,005	35,413,416
Balance December 31, 2018	66,557,355	24,350,575	1,852,150	610,515	68,209,505	24,961,090

The following table summarizes the movements in the Company's stock options during fiscal 2019 and 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	347,150	0.67	641,500	0.59
Exercised	(72,500)	0.37	(50,000)	0.10
Expired	(10,000)	0.13	–	–
Outstanding – End of year	<u>2,050,150</u>	0.52	<u>1,785,500</u>	0.47

For the year ended December 31, 2019, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$164,082 (2018 – \$248,138).

The Company issued 2,002,150 warrants on January 23, 2017 as part of the private placement. Each warrant is exercisable into one Common Share at a price of \$0.36 per Common Share for a period of five years and expire on January 23, 2022. The warrants have been classified as equity instruments. There were 28,750 warrants exercised during the year ended December 31, 2019 (nil – during the year ended December 31, 2018). As of December 31, 2019, there are 1,823,400 warrants outstanding.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Dollar amounts in thousands of Canadian dollars (except as noted)

Subsequent events

During the first quarter of 2020, the global spread of the COVID-19 virus has led to significant disruptions to businesses worldwide, resulting in an economic slowdown. In many countries, including Canada and the United States, measures such as travel bans, quarantines, social distancing and closures of non-essential services have been taken to contain the spread of the virus. Governments have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has experienced a significant decrease in revenues as many of our non-essential client offices have been temporarily closed to reduce the spread of the virus. In response to this reduction, in March and April, 2020, the Company temporarily reduced its workforce across the United States and Canada by means of reductions in hours, reduction in pay and temporary lay offs. In April, 2020, the Company applied for the Paycheck Protection Program in the United States and will be applying to the Canada Emergency Wage Subsidy once it becomes available.

On January 30, 2020, the Company granted 177,000 stock options to non-management Directors of the Company. The stock options were granted at a price of \$0.78 with a life of five years, expiring on January 29, 2025.

On March 1, 2020, the Company acquired the Proshred Connecticut business from its franchisee. The total purchase price for the acquisition was approximately USD\$4.7 million in aggregate. The consideration paid included cash and contingent consideration. Management is currently in the process of calculating the allocation of the purchase price to identifiable assets, intangible assets and goodwill. The acquisition included on-site paper shredding trucks, client relationships and other assets used in the shredding business. The Company views this acquisition as accretive to its cash flows and earnings per share. The acquisition was financed by utilizing cash reserves.

On March 31, 2020, the Company advanced \$2.69 million on its non-revolving term loan related to the Connecticut acquisition. The term loan has an amortization of 84 months and bears interest at 2.99% per annum.

Dated: April 17, 2020

