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REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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 November 26, 2020. In the first nine months of 2020, the Proshred system achieved USD\$30 million in System Sales (USD\$17 million through franchised/licensed locations and USD\$13 million through the corporately owned locations).

The Company's strategy to drive shareholder value focuses on three key areas:

1. Expand the location footprint in North America by way of 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 acquiring smaller acquisitions that are accretive (tuck-ins).

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 consolidated interim financial statements for the three and nine months ended September 30, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). 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 they operate. Additional information on the Company, 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 November 26, 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 the Company’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 severity and duration of the COVID-19 pandemic and its effects on the Canadian, United States and global economy, including its effects on Redishred, the markets we serve and our customers and the third parties with whom we do business,
 - b. the growth of the system sales achieved by existing and new locations,
 - c. the growth of sales achieved in corporate locations,
 - d. the economic circumstances in certain regions of the United States,
 - e. the level of corporate overhead,
 - f. number and size of acquisitions,
 - g. the ability to realize efficiencies from acquired operations,
 - h. the exchange rate fluctuations between the US and Canadian dollar,
- (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 statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking 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 system 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 2020 and 2019.
- **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.

Key Performance Indicators ("KPIs")

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

1. System sales performance – measures sales growth of franchisees, licensees and corporate locations, 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 the Company'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 and margin – measures the corporate locations ability to grow cash flow as it includes depreciation on tangible assets.
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 the Company'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 the Company'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 – measures management's ability to drive operating income and cash flow from existing locations and also helps measure the quality of the acquisitions conducted to ensure they are accretive to driving shareholder value.

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Financial and Operational Highlights

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

		Three months ended September 30,			Nine months ended September 30,		
	KPI	2020	2019	Change ⁽²⁾	2020	2019	Change ⁽²⁾
System Sales Performance – in USD							
Total locations in the United States		30	30	0%	30	30	0%
Total system sales ⁽¹⁾	(1)	\$10,694	\$10,954	(2)%	\$30,409	\$33,844	(10)%
% of scheduled sales		48%	52%		50%	49%	
Consolidated Operating Growth							
Revenue		\$6,665	\$5,353	25%	\$19,293	\$16,125	20%
EBITDA	(2)	\$1,866	\$1,129	65%	\$4,790	\$4,440	8%
EBITDA margin		28%	21%	700 bps	25%	28%	(300) bps
Operating income	(3)	\$938	\$441	112%	\$2,025	\$2,523	(20)%
Operating income margin		14%	8%	600 bps	10%	16%	(600) bps
Operating income per weighted average share fully diluted	(8)	\$0.012	\$0.006	100%	\$0.026	\$0.036	(28)%
Government assistance not included in above ⁽³⁾		\$494	-	100%	\$1,757	-	100%
Corporate Location Performance							
Revenue		\$6,093	\$4,662	31%	\$17,630	\$14,002	26%
EBITDA		\$2,103	\$1,432	47%	\$5,631	\$4,859	16%
EBITDA margin		35%	31%	400 bps	32%	35%	(300) bps
Operating income	(4)	\$1,198	\$801	50%	\$2,938	\$3,067	(4)%
Operating income margin		20%	17%	300 bps	17%	22%	(500) bps
Operating income less recycling	(5)	\$503	\$340	48%	\$894	\$1,066	(16)%
Capital Management							
As of September 30 and December 31,				KPI	2020	2019	Change ⁽²⁾
Working capital					\$3,543	\$4,432	(20)%
Debt to total assets ratio					0.43	0.44	2%
Normalized Fixed Charge Coverage ratio – rolling 12 months					(6) 1.29	2.39	(46)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months					(7) 3.29	2.94	(12)%

(1) Same location system sales were not materially different than total system sales.

(2) Change expressed as a percentage or basis point ("bps").

(3) The Company qualified for the Paycheck Protection Program loan ("PPP") in the United States which has been made available to eligible US businesses that have been affected by the COVID-19 pandemic. Based on preliminary calculations of the loan forgiveness, the Company believes that the entire PPP loan will be forgiven.

Summary of Q3-2020 Results and Operations

System Sales Recovery

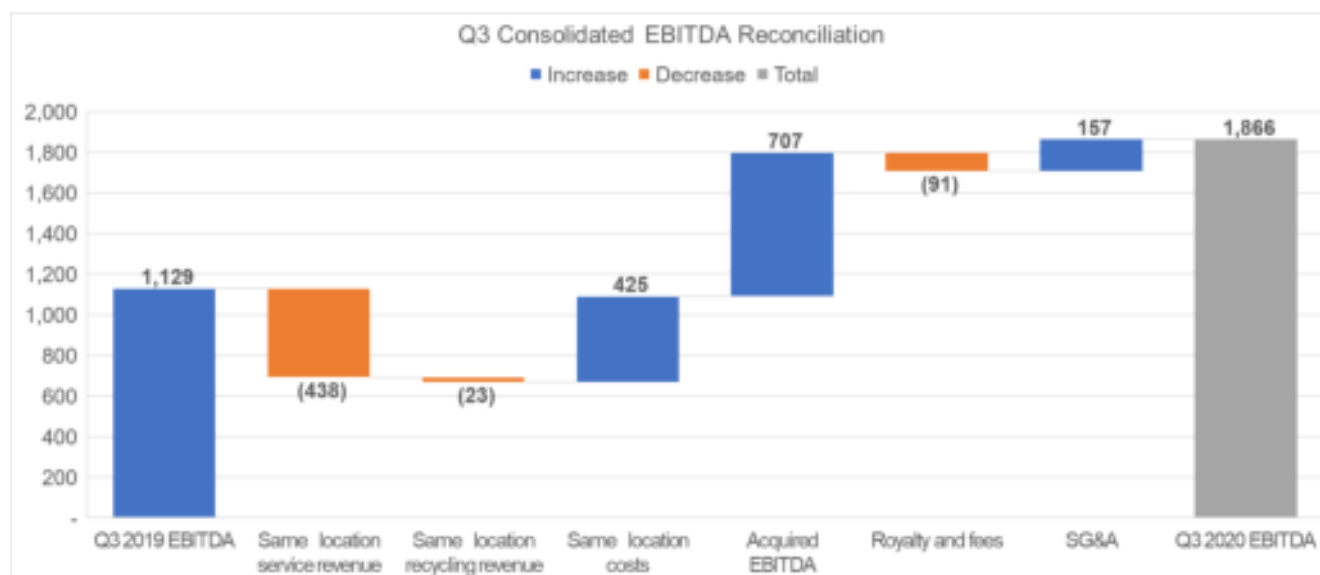
Shredding system sales grew 28% in Q3-2020 over Q2-2020 as COVID-19 restrictions eased across the United States and an increased number of customers returned to offices and recommenced services.

The Company also saw 4% growth in unscheduled sales in Q3-2020 versus Q3-2019, driven by pent up demand in many re-opened offices plus the targeting of residential clients. For the scheduled system sales category, many larger non-essential clients continue to provide work from home options to their employees which negatively impacted scheduled system sales, declining by 9% versus Q3-2019. Overall, total shredding system sales declined by 4% in Q3-2020 over Q3-2019.

The average paper price in the Proshred system increased 16% in Q3-2020 over Q3-2019 which led to growth of 7% in recycling sales despite a decline in paper tonnage collected.

Growth in Consolidated EBITDA and Operating Income Despite Challenges with COVID-19

The Company achieved 65% and 113% growth in consolidated EBITDA and operating income in Q3-2020 as compared to Q3-2019 as a result of the acquisitions conducted in the last 12 months. Selling, general and administrative expenses were positively impacted by the implementation of cost reduction initiatives completed in the second quarter of 2020 which led to a 19% reduction in Q3-2020 as compared to Q3-2019. In addition to the double-digit growth in consolidated EBITDA and operating income, the Company received \$1.76M from the PPP in the United States during Q2-2020.



Improved Same Corporate Location EBITDA and Operating Income Margins

The Company achieved same corporate location EBITDA margin of 33% during the quarter, growing 200 basis points over Q3-2019. The Company also achieved same corporate location operating income margin of 19% during the quarter, growing 200 basis points over Q3-2019. Despite the negative impacts of COVID-19 on corporate location sales, the Company managed its routes and related sales, marketing and support costs that resulted in the improvement in margins.

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Strengthened Balance Sheet

The Company strengthened its balance sheet during the quarter by repaying the outstanding balance of \$1M on one of its term loans while continuing to grow its cash balance by \$141,000 over the prior quarter. The Company ended the quarter with debt to total assets of 43%, a 200 bps improvement from June 30, 2020.

COVID-19 Update

On March 11, 2020, the COVID-19 virus was declared a global pandemic by the World Health Organization. The pandemic has had a significant impact on the Canadian and United States economy due to the temporary closure of non-essential businesses. These closures have had a direct impact on many of our non-essential service customers. The impact and duration of the pandemic continues to be uncertain and it is not possible to forecast with certainty the duration and full scope of the economic impact and other consequential changes the pandemic may have on the business. The Company is optimistic given the recovery of the revenue base and the Company's execution of its route efficiency programs and some cost reduction activities. The Company continued to maintain operations in all markets during the third quarter. The Company's COVID-19 pandemic response to include efforts to protect the health and well-being of our workforce and our customers.

Shredding Revenue

During the third quarter of 2020, demand for shredding services continued to gradually improve and has stabilized in certain markets. The impact to the Company's corporate location revenues were as follows:

Same location shredding revenue	Percentage decline over prior comparative year
• Q2-2020	25% decline
• Q3-2020	10% decline
• July 2020	12% decline
• August 2020	12% decline
• September 2020	2% decline

Recycling Revenue

As shelter at home restrictions eased during the third quarter of 2020, the demand for paper products fell, and our paper commodity saw a corresponding decrease in price. As a result, the average paper price in the Proshred system decreased 28% in Q3-2020 over Q2-2020 however the average paper price in the Proshred system remained 16% higher in Q3-2020 versus Q3-2019. As businesses continued to re-open during Q3-2020, the Company saw an increase in total tonnage processed of 23% in Q3-2020 over Q2-2020, and a 13% decline versus Q3-2019.

The following outlines the average paper prices in the Proshred system for the last six quarters:

	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020
Average price	\$130	\$85	\$67	\$67	\$137	\$99
Quarter over quarter % change		(35)%	(21)%	-%	104%	(28)%

Royalty Collection

As restrictions eased during the third quarter of 2020, the Proshred franchise system saw a 21% increase in total sales over the second quarter of 2020. 74% of franchisees sales returned to a minimum of 90% of pre-COVID sales levels and as a result, these franchisees have begun to repay the March and April deferred royalty payments over a 12-month period.

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Corporate Location Revenue Collection

During Q3-2020, the Company continued to dedicate resources to the collection of its outstanding receivables as well as further limit credit terms to unscheduled clients. During the nine months ended September 30, 2020, the Company had less than 0.2% of corporate location revenue uncollected and management does not expect a material increase in payment defaults for the remainder of 2020.

Selling, General and Administration Costs

During Q3-2020, the Company continued to scrutinize and minimize all cost categories which led to a positive impact on the third quarter margins. Consolidated EBITDA and operating income margins grew 700 basis points in Q3-2020 as compared to Q3-2019.

Outlook

Shredding Service Revenue

During the third quarter of 2020, demand for shredding services continued to gradually improve each month and has stabilized in certain markets. We anticipate that many of our larger non-essential clients will continue to provide work from home options to their employees for the remainder of 2020, and this will continue to negatively impact scheduled revenue. The Company has successfully implemented various sales and marketing programs aimed at home-based employees and the residential market to minimize the impact of the temporary reduction to scheduled shredding service revenue.

Recycling Revenue

The following outlines the Q4-2020 average paper price estimated based on October and November paper pricing:

	Q3-2020	Q4-2020
Average price	\$99	\$70
Quarter over quarter % change		(30)%

Future Growth Opportunities through Accretive Acquisitions

Development by way of acquisitions remains an important component of Redishred's long-term growth strategy. With Shelter in Place restrictions lifted, the Company has re-engaged with its acquisition targets and is actively looking for acquisition opportunities in the United States.

Liquidity

The Company will continue to be proactive with its lending partners and will continue to manage its financial covenants. During the third quarter, the Company's financial institution waived the financial covenants required for the fourth quarter of 2020.

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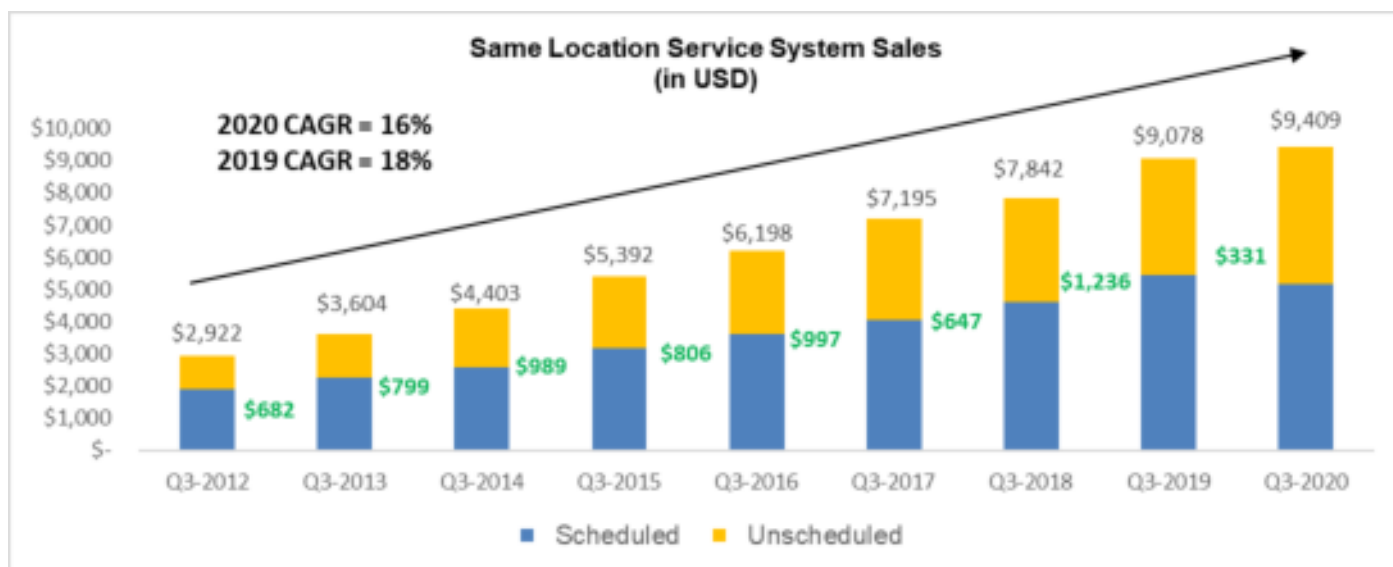
The Company's North American locations are as follows:

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

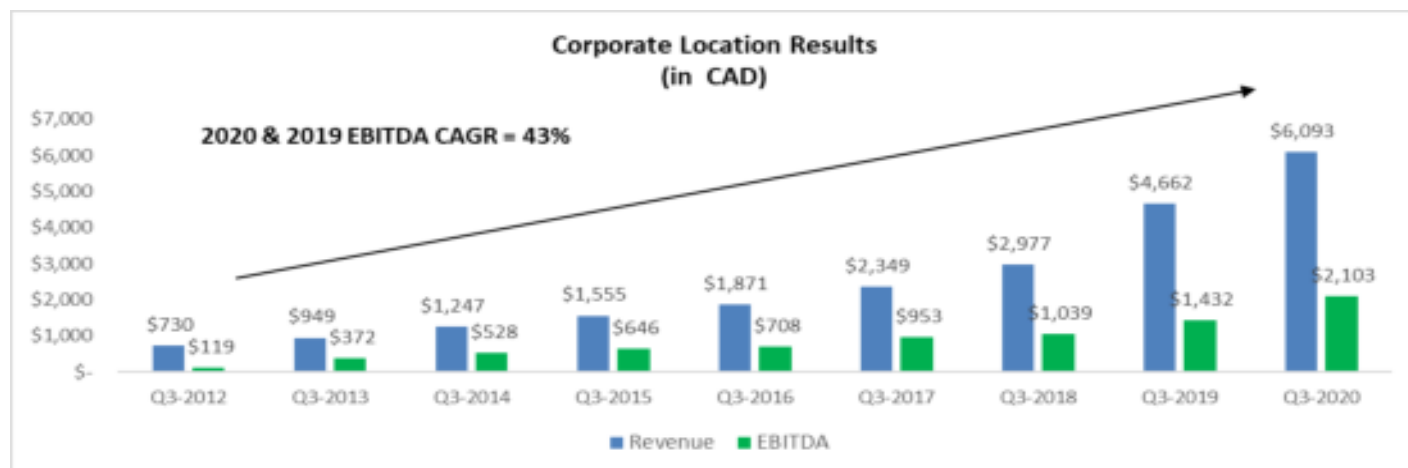
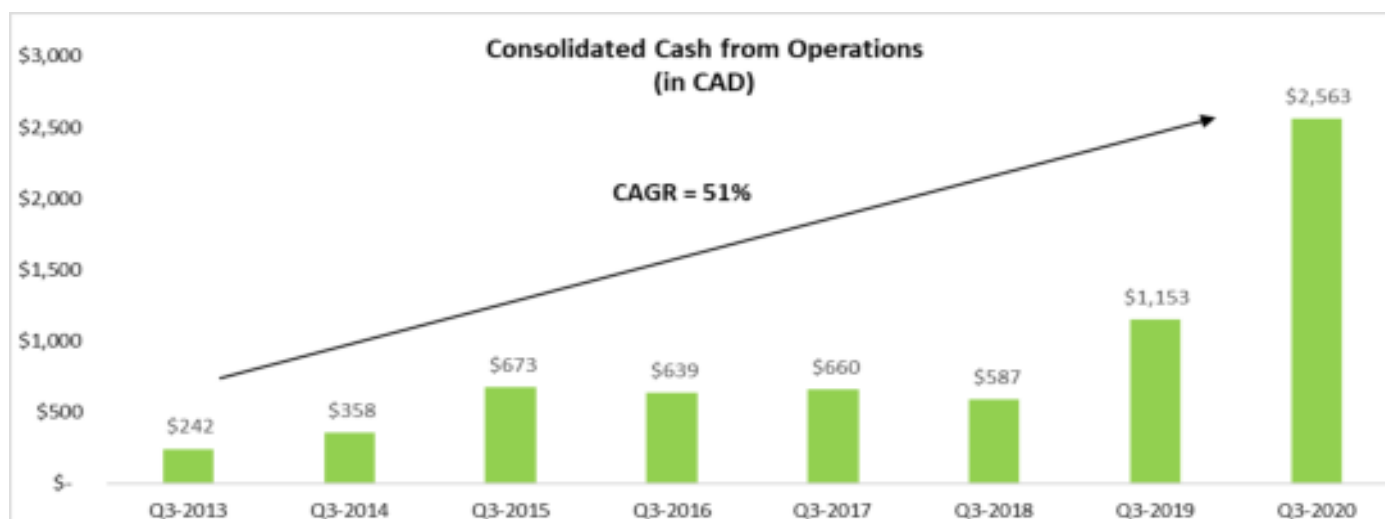
Number	Corporate Location	Markets Served	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004
		Buffalo and Rochester	Corporately since May 2010
		Watertown	October 2017
2.	Albany, NY	Albany and the Hudson River Valley	April 2003
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess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

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



Note (3): 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. The 2020 CAGR includes the first half of 2020. The 2019 CAGR includes the results up to and including December 31, 2019.

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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 Q3-2020 as compared to Q3-2019 as a result of the COVID-19 Pandemic.

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

	For the three months ended September 30			For the nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
Total North American operating locations at period end	30	30	0%	30	30	0%
Total system sales (USD)	\$ 10,694	\$ 10,954	(2)%	\$ 30,409	\$ 33,844	(10)%

Total same location system sales were not materially different from total system sales.

System Sales Trend:

The following chart illustrates system sales growth in USD by quarter since the first quarter of 2015.

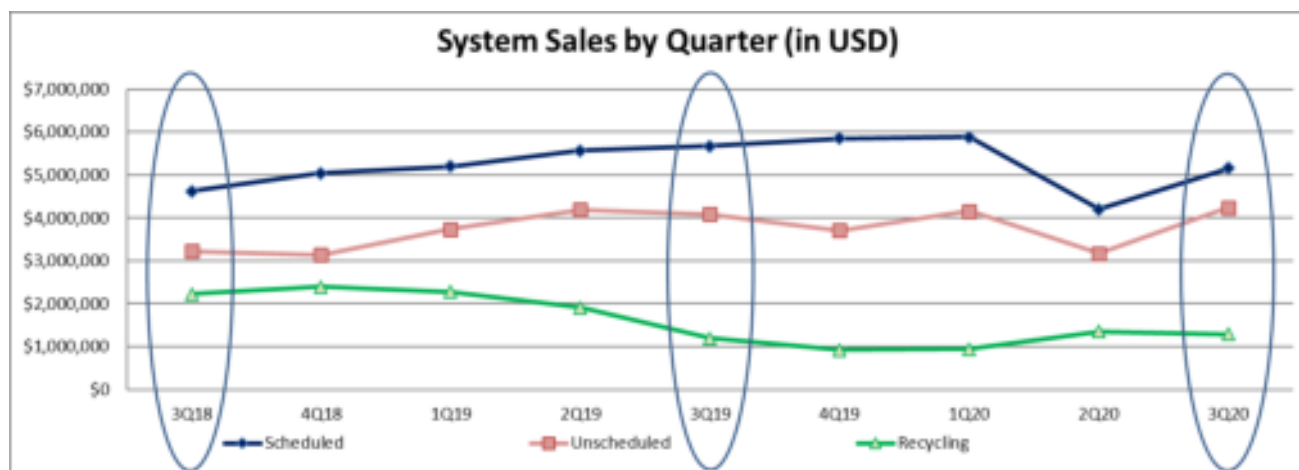


(1) The 2020 CAGR includes the first half of 2020. The 2019 CAGR includes the results up to and including December 31, 2019.

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

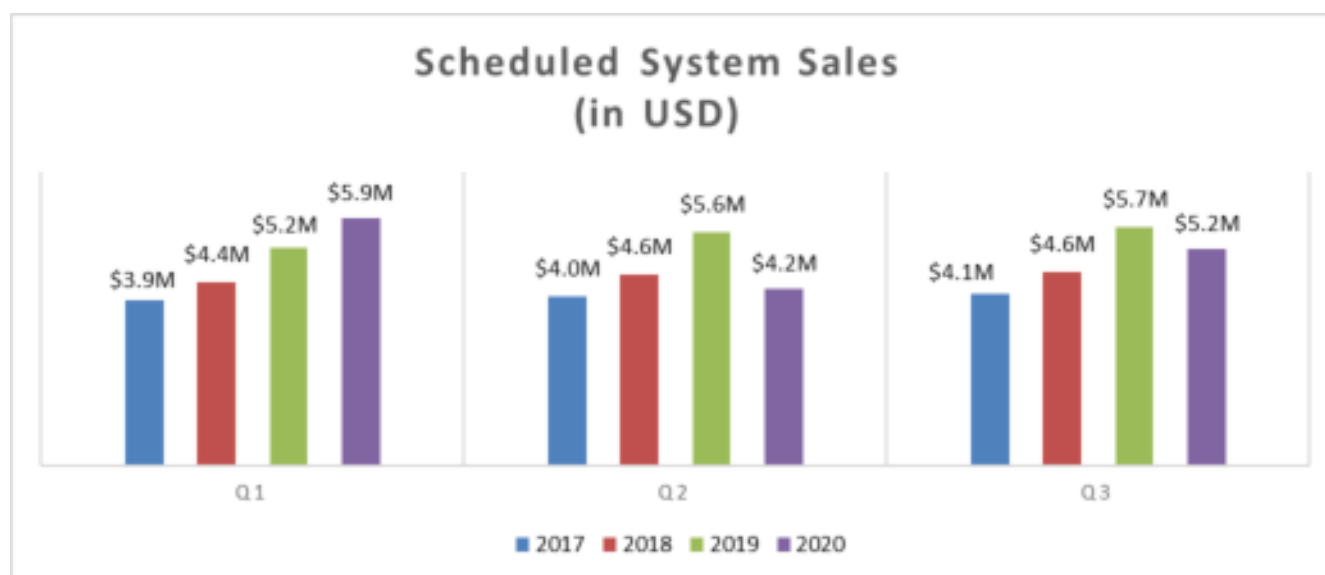


Scheduled system sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Scheduled sales were negatively impacted by the COVID-19 pandemic which led to a 9% decline in scheduled system sales in Q3-2020 as compared to Q3-2019.

Recurring scheduled system sales accounted for 55% of total service system sales in Q3-2020 (58% - Q3-2019).

	For the three months ended September 30			For the nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Total and same location scheduled system sales (USD)	5,163	5,675	(9)%	15,253	16,454	(7)%



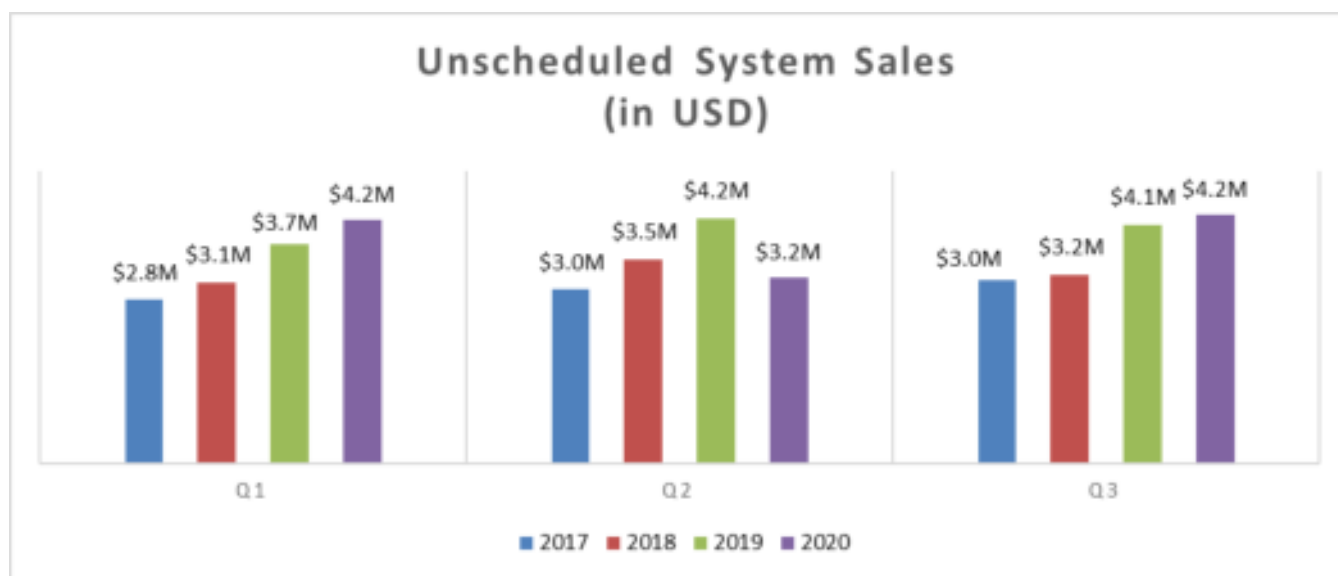
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Unscheduled system sales:

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 4% in Q3-2020 as compared to Q3-2019 despite of the negative impacts of the COVID-19 pandemic.

	For the three months ended September 30			For the nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Unscheduled system sales (USD)	4,246	4,083	4%	11,575	12,013	(4)%
Same location unscheduled system sales (USD)	4,246	4,083	4%	11,496	12,013	(4)%



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 September 30			For the nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
Total and same location recycling system sales (USD)	\$ 1,285	\$ 1,195	7%	\$ 3,581	\$ 5,377	(33)%
Tonnage processed (units)	11,200	13,000	(13)%	33,000	40,000	(18)%
Average paper price per ton	\$ 99	\$ 85	16%	\$ 101	\$ 130	(22)%

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Paper Pricing Trends:

During Q3-2020, the average paper price in the Proshred system decreased by 28% in comparison to Q2-2020 to \$99 per ton. The average paper price in the Proshred system in Q3-2020 was 16% higher than in Q3-2019.

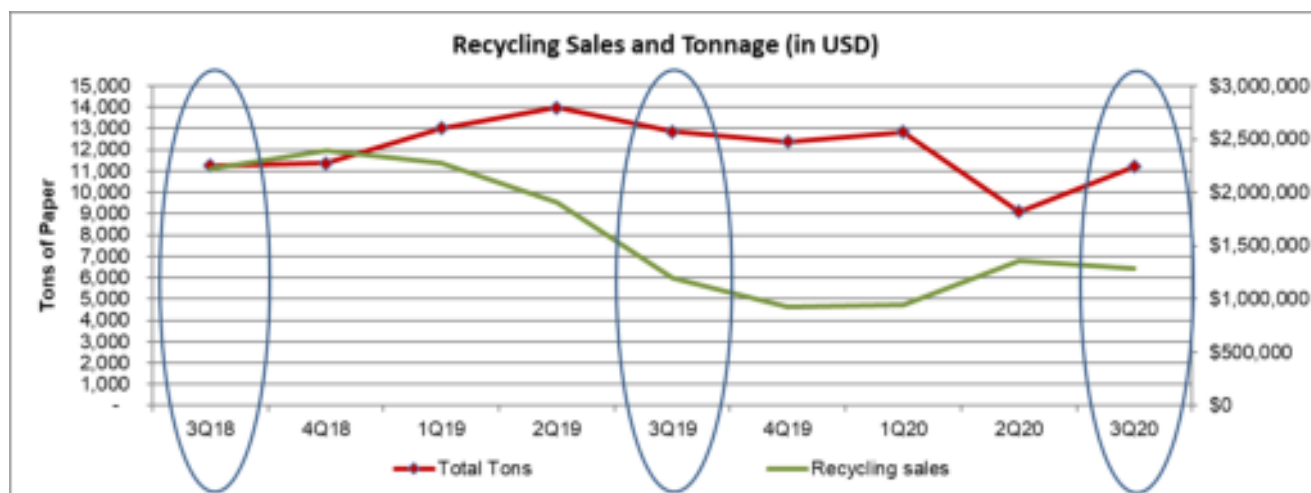


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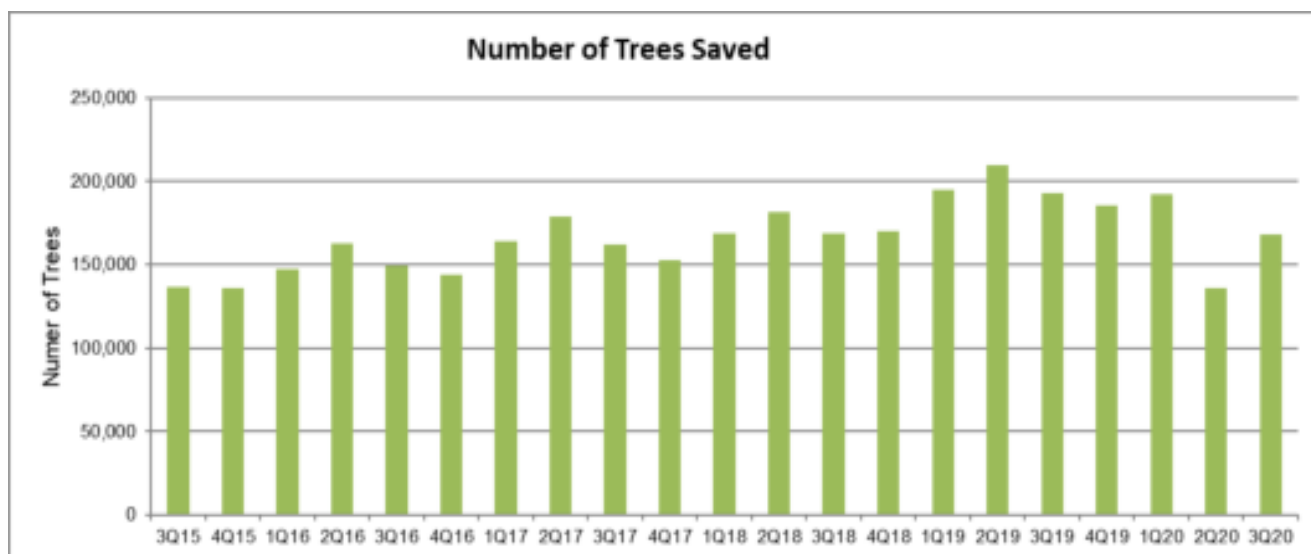
Dollar amounts in thousands of Canadian dollars (except as noted)

Historical Volume of Paper:

During Q3-2020, the system shred and recycled 13% less paper than in Q3-2019 as the Proshred system tonnage was negatively impacted by COVID-19. The Proshred system shred and recycled 11,200 tons of paper during Q3-2020 (13,000 – during Q3-2019), which equates to 168,000 trees being saved (193,000 – during Q3-2019).⁽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.

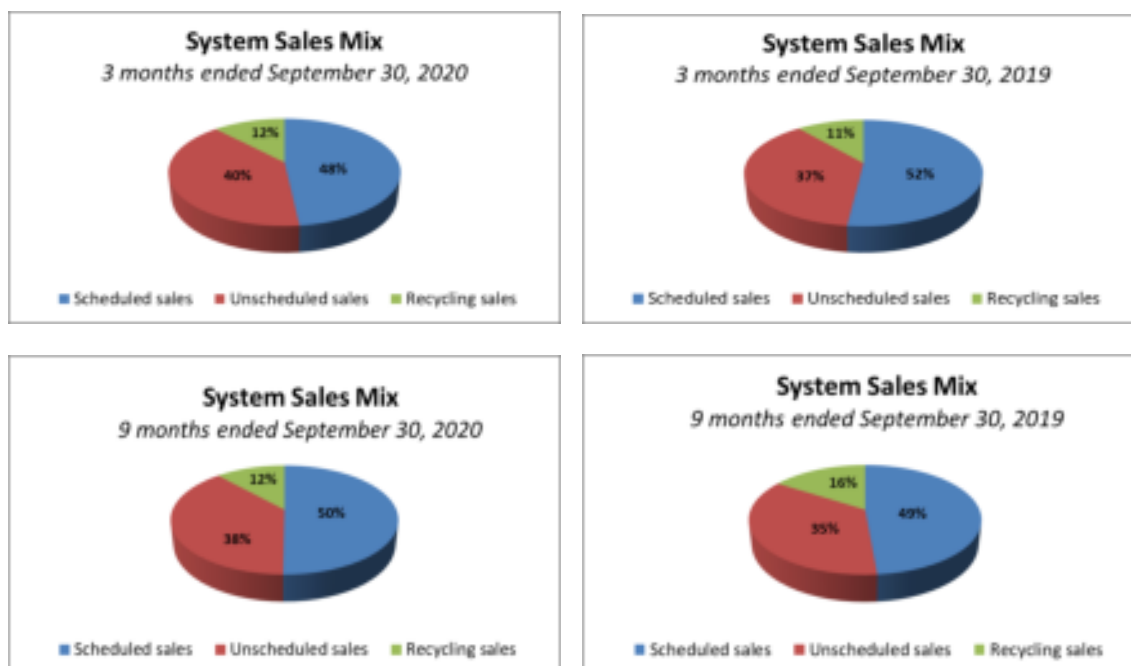


(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Dollar amounts in thousands of Canadian dollars (except as noted)

System sales breakdown:



Franchising & Licensing

Royalties and service fees are charged for the use of the trademarks and system. Franchise and license fee revenue is recognized as revenue over the term of the related franchise or license agreement on a straight-line basis. The Company earns all franchising and licensing related revenues in USD, which are translated at the average exchange rate for the period.

During Q3-2020, royalty and services fees declined by 16% over Q3-2019. With the acquisitions of the Chicago and Connecticut franchises in Q4-2019 and Q1-2020, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from these locations. Royalty and service fees for same franchise locations declined by 2% during Q3-2020 as compared to Q3-2019 due to the decline in scheduled system sales as a result of the COVID-19 Pandemic.

Royalties, license, and service fees

	Total Franchise Locations			Same Franchise Locations		
For the three months ended September 30,	2020	2019	% Change	2020	2019	% Change
Total number of franchisees operating at period end	19	21	(9)%	19	19	0%
Royalty, license and service fees	\$ 469	\$ 560	(16)%	\$ 469	\$ 479	(2)%

REDISHRED CAPITAL CORP.
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Franchising & Licensing (continued)

	Total Franchise Locations			Same Franchise Locations		
For the nine months ended September 30,	2020	2019	% Change	2020	2019	% Change
Total number of franchisees operating at period end	19	21	(9)%	19	19	0%
Royalty, license and service fees	\$ 1,402	\$ 1,732	(19)%	\$ 1,402	\$ 1,504	(7)%

Franchise fees

For the three and nine months ended September 30, 2020, franchise fees declined 26% and 23% over the prior comparative period, respectively. With the acquisition of the Chicago franchise, the Company recognized the remaining franchise fee in 2019. For the three and nine months ended September 30, 2020, franchise fees were \$42,825 and \$134,252, respectively.

Growth Fund

The Company manages a Growth Fund (formerly referred to the "Ad Fund") established to collect and administer funds contributed for use in regional and national sales and marketing programs, 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. Growth 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 Company has a Growth Fund cash balance of \$144,611 as at September 30, 2020. The fund may incur a continued loss going forward as the Growth Fund will continue to invest in marketing channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. During the three and nine months ended September 30, 2020, the Growth Fund net loss was \$3,450 and \$8,252 respectively.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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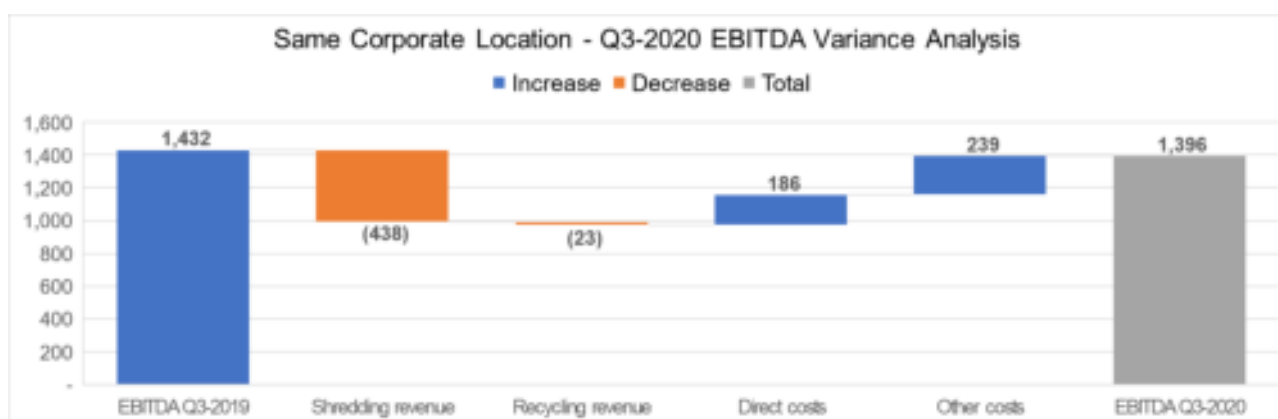
Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Location Results – For the three months ended September 30

As of September 30, 2020, the Company operates eleven locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey, Kansas, Chicago and Connecticut.

As a result of the acquisitions completed over the last 12 months, total corporate location revenues grew by 31% in Q3-2020 versus Q3-2019, despite the negative impacts related to the COVID-19 Pandemic. Total EBITDA grew 47% in Q3-2020 over Q3-2019 with an improvement in EBITDA margin of 400 basis points. The corporate locations continued to optimize routes through the use of new routing software implemented in late 2019 along with agile marketing programs that allowed for the capture of more unscheduled revenue, coupled with continued execution of cost containment programs.

Same corporate location shredding revenue was negatively impacted by COVID-19 resulting in a 10% decline in Q3-2020 over Q3-2019. The Company reduced costs and curtailed all discretionary expenditures resulting in same corporate location EBITDA for Q3-2020 to be just under 3% of Q3-2019 EBITDA. Same corporate location EBITDA margin improved by 200 basis points in Q3-2020 as compared to Q3-2019.



REDISHRED CAPITAL CORP.
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Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Location Results – For the three months ended September 30 (continued)

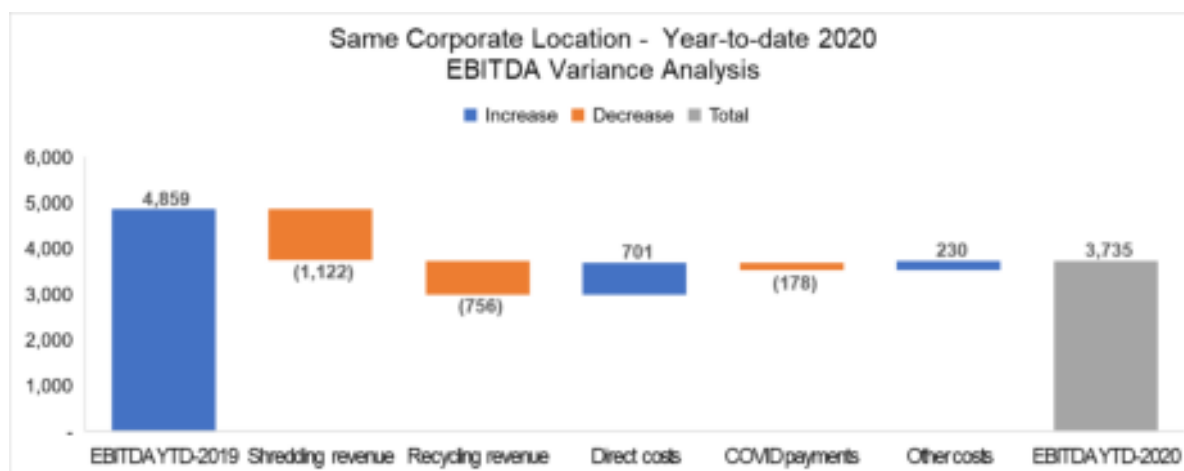
For the three months ended September 30,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2020	2019	% Change	2020	2019	% Change	2020	2019
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	5,397	4,200	29%	3,762	4,200	(10)%	1,635	-
Recycling sales	696	461	51%	438	461	(5)%	258	-
Total sales	6,093	4,661	31%	4,200	4,661	(10)%	1,893	-
Operating costs (note 1)	3,991	3,229	(24)%	2,804	3,229	13%	1,187	-
EBITDA	2,102	1,432	47%	1,396	1,432	(3)%	706	-
% of revenue	35%	31%	400 bps	33%	31%	200 bps	37%	-
Depreciation – tangible assets	904	631	(43)%	612	631	3%	292	-
Operating income	1,198	801	50%	784	801	2%	414	-
% of revenue	20%	17%	300 bps	19%	17%	200 bps	22%	-
Operating income less recycling	503	340	48%	347	340	2%	156	-
% of revenue	9%	8%	100 bps	9%	8%	100 bps	10%	-
EBITDA – in USD	1,583	1,077	47%	1,051	1,077	(2)%	532	-
% of revenue	34%	31%	300 bps	33%	31%	200 bps	37%	-

Note 1: During Q3-2020, acquisition/vendor-related consulting fees of \$34,290 are included in the total and non-same operating costs.

REDISHRED CAPITAL CORP.
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Corporate Location Results - For the nine months ended September 30



	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the nine months ended September 30,	2020	2019	% Change	2020	2019	% Change	2020	2019
	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding sales	15,585	12,001	30%	10,879	12,001	(9)%	4,706	-
Recycling sales	2,044	2,001	2%	1,245	2,001	(38)%	799	-
Total sales	17,629	14,002	26%	12,124	14,002	(13)%	5,505	-
Operating costs (note 1)	11,999	9,143	(31)%	8,389	9,143	8%	3,610	-
EBITDA	5,630	4,859	16%	3,735	4,859	(23)%	1,895	-
% of revenue	32%	35%	(300) bps	31%	35%	(400) bps	34%	-
Depreciation – tangible assets	2,692	1,792	(50)%	1,820	1,792	2%	872	-
Operating income	2,938	3,067	(4)%	1,915	3,067	(38)%	1,023	-
% of revenue	17%	22%	(500) bps	16%	22%	(700) bps	19%	-
Operating income less recycling	894	1,066	(16)%	670	1,066	(37)%	224	-
% of revenue	6%	9%	(300) bps	6%	9%	(300) bps	5%	-
EBITDA including government assistance	7,198	4,859	48%	4,862	4,859	0%	2,336	-
% of revenue	41%	35%	600 bps	40%	35%	500 bps	42%	-
EBITDA – in USD	4,158	3,653	14%	2,758	3,653	(25)%	1,400	-
% of revenue	32%	35%	(300) bps	31%	35%	(400) bps	34%	-

Note 1: During the nine months ended September 30, 2020, acquisition/vendor-related consulting fees of \$122,735 are included in the total and non-same operating costs.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Dollar amounts in thousands of Canadian dollars (except as noted)

Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses include costs to support all Proshred locations with 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.

SG&A expenses for the three months ended September 30, 2020 declined by 17% as compared to the same period of 2019 as the Company reduced expenditures to mitigate against the negative impacts of COVID-19 on the business.

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

	For the three months ended September 30			For the nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Salaries and benefits	415	442	6%	1,232	1,193	(3)%
Stock based compensation	-	32	100%	99	131	24%
Acquisition costs	17	113	85%	107	146	27%
Professional fees	76	75	(2)%	219	195	(12)%
Technology	112	111	(1)%	318	270	(18)%
Other expenses	128	128	3%	394	358	(10)%
Total selling, general and administrative expenses ⁽¹⁾	748	901	17%	2,369	2,294	(3)%
Total expenses as a percentage of total revenue	11%	17%	600 bps	12%	14%	200 bps

Note 1: Does not include Growth Fund expenses. Refer to page 19 for further details.

Other Income and Expenses

Government Assistance

The Company qualified for the Paycheck Protection Program loan ("PPP") in the United States which has been made available to eligible US businesses that have been affected by the COVID-19 pandemic. Based on preliminary calculations of the loan forgiveness, the Company believes that the entire loan will be forgiven. As a result, the amount recorded as a loan payable in Q2-2020 has been realized into Other Income. During the nine months ended September 30, 2020, the Company has qualified for and received \$1.76M in government assistance.

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Dollar amounts in thousands of Canadian dollars (except as noted)

Amortization – Corporate locations

Amortization of intangible assets primarily relates to the assets purchased by way of acquisitions. The significant increase is due to the acquisitions of the Proshred Chicago and Connecticut businesses.

	For the three months ended September 30,			For the nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Amortization – intangible assets	567	295	(92)%	1,675	863	(94)%

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

1 USD:CAD	2020			2019				
	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1
Average rate ⁽¹⁾	1.35	1.37	1.32	1.33	1.32	1.32	1.34	1.33
Close rate	1.36	1.36	1.41	1.30	1.30	1.32	1.31	1.33

(1) The average rate represents the year-to-date average rate.

Foreign exchange gain (loss) was as follows:

	For the three months ended September 30,			For the nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Foreign exchange gain (loss)	23	155	(85)%	1,995	(585)	441%

REDISHRED CAPITAL CORP.
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Interest income and expense

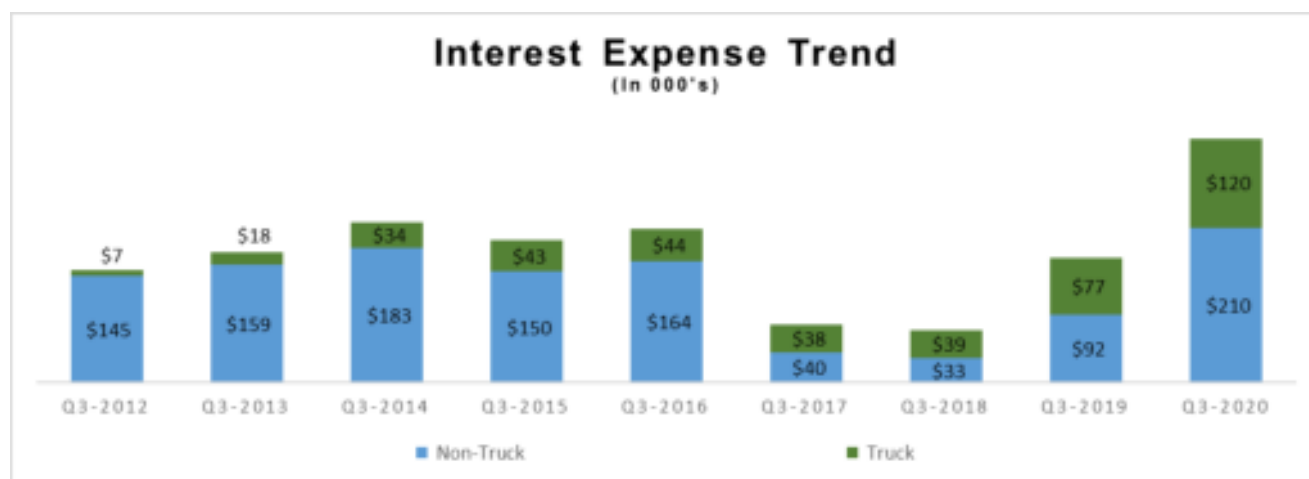
Interest income is derived from cash savings accounts and Guaranteed Investment Certificates (GIC's) held by the Company and by way of finance income related to the financing of franchise fees.

Interest expense for the three and nine months ended September 30, 2020 relates to the following:

- the Company's term loans, which currently bear interest at 2.99% per annum,
- truck loan agreements, which bear interest at 4.54% to 6.75% per annum and
- interest on the Company's lease liabilities.

Interest expense increased during the three and nine months ended September 30, 2020, as compared to the same periods of 2019. The increase was due to the following:

- (1) the purchase of new trucks during 2019 and Q1-2020 which were all financed;
- (2) notes payable related to the acquisitions conducted;
- (3) the \$15.3 million advance made on the Company's term loans during 2019 and Q1-2020; and
- (4) the three-month deferral on the truck loan interest payments obtained in Q2-2020 of which a majority were paid in Q3-2020.



	For the three months ended September 30,			For the nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
Interest income	13	49	(73)%	54	62	(13)%
Interest expense	(330)	(169)	(95)%	(694)	(441)	(57)%

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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, commencing December 31, 2031. The Company has incurred US non-capital losses that can be carried forward to reduce taxes payable in the US. The losses expire at various times through December 31, 2035, commencing December 31, 2031. During 2018 and 2019, the Company recognized all temporary differences and non-capital losses and is expected to utilize those losses in 2020 and onward.

Reconciliation of EBITDA to Net Income

	For the three months ended September 30,			For the nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
	\$	\$		\$	\$	
EBITDA	1,866	1,129	65%	4,790	4,440	8%
Less: depreciation – tangible assets	(928)	(688)	(35)%	(2,765)	(1,917)	(66)%
Operating income	938	441	113%	2,025	2,523	(20)%
Less: interest expense	(330)	(169)	(95)%	(694)	(441)	(57)%
Add: interest income	13	49	(73)%	53	62	(13)%
Operating income less net interest expense	621	321	93%	1,385	2,144	(35)%
Less: amortization - intangible assets	(597)	(300)	(99)%	(1,741)	(877)	(98)%
Less/add: (loss) gain on sale of assets	-	(13)	100%	-	80	(100)%
Add: transaction recovery	(2)	-	100%	192	-	100%
Add: other income	494	-	100%	1,757	-	100%
Income before foreign exchange and income tax	516	8	6350%	1,593	1,347	18%
Add: foreign exchange gain (loss)	23	155	(85)%	1,995	(585)	441%
Less/add: income tax expense	(83)	(10)	(170)%	(77)	(144)	46%
Net income	456	153	198%	3,511	618	468%

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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 Q2 and Q3 of every year typically being stronger than the Q1 and Q4 of every year.

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Total system sales (USD)	10,694	8,726	10,989	10,477	10,954	11,664	11,226	10,576
<u>Consolidated Performance</u>								
Revenue	6,665	6,034	6,594	6,282	5,353	5,570	5,203	4,470
EBITDA	1,866	1,565	1,359	605	1,129	1,691	1,620	825
Operating Income	938	572	515	(97)	441	1,034	1,032	466
<u>Corporate Location Performance</u>								
Revenue	6,093	5,532	6,003	5,734	4,662	4,833	4,507	3,608
EBITDA	2,103	1,744	1,783	1,376	1,432	1,704	1,723	1,170
Operating Income	1,199	776	963	620	801	1,091	1,176	821
Operating income (loss) per weighted average share fully diluted	0.012	0.007	0.006	(0.001)	0.006	0.015	0.015	0.010
Income (loss) income before taxes from continuing operations	433	(608)	3,657	(1,500)	163	30	569	915
Income (loss) attributable to owners of the parent	455	(608)	3,663	(1,396)	153	(81)	545	1,206
Basic and diluted net income (loss) per share	.006	(.008)	.05	(.01)	.00	(.00)	.01	.02

REDISHRED CAPITAL CORP.
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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 September 30 and December 31,	2020	2019	% Change
Working capital	\$3,543	\$4,432	(20)%
Total assets	\$59,203	\$53,769	10%
Total liabilities	\$25,672	\$23,869	(8)%
Debt to total assets ratio	0.43	0.44	2%
Normalized Fixed Charge Coverage ratio – rolling 12 months	1.29	2.39	(46)%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	3.29	2.94	(12)%

As of September 30, 2020, the Company's total assets increased over December 31, 2019 as the Company completed the acquisition of the Connecticut business on March 1, 2020 with \$6.5M in assets purchased. The increase has been partially off set by depreciation and amortization.

As of September 30, 2020, the Company's total liabilities increased over December 31, 2019 as the Company's lender advanced \$2.7 million related to the Connecticut acquisition and the purchase included \$768,000 in contingent consideration. The increase has been partially off set by the repayment of one of the Company's term loans in the amount of \$936,480.

In response to COVID-19, the Company's financial institution waived the financial covenants required for the third and fourth quarters of 2020. As of September 30, 2020, the Company was in compliance with its banking covenants.

Bank facilities

As of September 30, 2020, the Company has the following secured senior credit facilities:

- (1) An operating line of credit of \$1 million;
- (2) A non-revolving term loan in the amount of \$3 million; and
- (3) A non-revolving term loan in the amount of USD\$12.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As of September 30, 2020, the Company has borrowed the following amounts on the non-revolving term loans:

Month of Advance	Initial amount	Interest per annum	Amortization period	September 30, 2020 Balance	December 31, 2019 Balance
	\$			\$	\$
August 2017 (note 1)	2,006,743	4.95%	60 months	–	1,036,817
May, 2019	6,003,210	3.50%	84 months	5,298,085	5,492,638
November, 2019	6,664,242	3.50%	84 months	6,295,425	6,594,113
March, 2020	2,688,000	2.99%	84 months	2,688,000	–
Total bank facilities				14,281,510	13,123,568

Note 1: During the three months ended September 30, 2020, the Company repaid the outstanding balance of \$936,480 on one of its term loans. The Company has not drawn on its operating line of credit as of September 30, 2020.

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The credit facilities are secured by general security agreements over all present and future assets of the Company and shares of each subsidiary held by the Company.

As of September 30, 2020, the Company has \$2.0 million available on its senior credit facilities.

In response to the impacts of COVID-19, the Company negotiated with its financial institution the deferral of its principal payments for a six-month period from April 2020 – September 2020. Interest only payments were made during the six-month period.

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 is available for renewal in increments of one year, with annual credit reviews completed. The interest rate is based on prevailing market rates at the time the line is used. As of September 30, 2020, the Company has utilized the entire line of credit (December 31, 2019 – USD\$1,298,789), which is included in the truck loans balance. The Company has no remaining balance available for use on the line of credit as of September 30, 2020 (December 31, 2019 – USD\$401,211).

The Company has financed the purchase of its shredding vehicles and as of September 30, 2020, the Company has an outstanding truck loan balance of \$3.7 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 September 30, 2020, the facility has not been drawn upon (\$nil balance – December 31, 2019).

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 exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Lease liability	Number of ROU assets leased	Range of remaining term	Range of interest rates	Lease balance as of September 30, 2020
				\$
Office and warehouse building	11	October 2020 to August 2025	6%	2,296,972
Shredding vehicles	7	August 2021 to October 2022	5.95% to 6.50%	648,357
Total				2,945,329

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. There is an accounts receivable balance of \$20,070 due from this franchise at September 30, 2020 (December 31, 2019 - \$nil). During the nine months ended September 30, 2020, the Company earned royalties, franchise and service fees of \$82,961 (September 30, 2019 - \$125,141) from this franchise.

Risks and Uncertainties

Please refer to the Company's 2019 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, 2019, the Company's fiscal year-end with the exception of the following:

Pandemic Risk and Economic Downturn

Significant disruptions to businesses worldwide, resulting in an economic slowdown could be caused by the pandemic outbreak of a contagious illness such as COVID-19. This may affect the Company's and its franchisee's ability to service its customers and may increase the Company's credit risk. There can be no assurance that a disruption in the US and Canadian economies and worldwide economy would not negatively affect the financial performance of the Company in a material manner.

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 the Company's 2019 Annual Report.

The financial report has been prepared considering the impact that COVID-19 has and continues to have on the US and Canadian economy. Measures such as travel bans, quarantines, social distancing and closures of non-essential services have been taken to contain the spread of the virus. The ultimate impacts and duration of the pandemic are unknown at this time. The Company has used the best information available as of September 30, 2020 in determining its estimates and judgements.

Investor Relations Activities

The Company does not have any investor relations arrangements.

REDISHRED CAPITAL CORP.
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Share Data

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

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance September 30, 2020	78,825,605	35,014,606	1,823,400	600,008	80,524,005	35,614,614
Balance December 31, 2019	78,500,605	34,943,264	1,823,400	600,008	80,324,005	35,543,272

The following table summarizes the movements in the Company's stock options during the nine months ended September 30, 2020 and fiscal 2019:

	2020		2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding – opening	2,050,150	0.52	1,785,500	0.47
Granted	252,000	0.68	347,150	0.76
Exercised	(325,000)	0.15	(72,500)	0.37
Expired	(5,000)	0.10	(10,000)	0.13
Outstanding – closing	<u>1,972,150</u>	0.60	<u>2,050,150</u>	0.52

For the nine months ended September 30, 2020, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$99,493 (for the nine months ended September 30, 2019 – \$131,655).

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. The fair values of the warrants were determined using the Black-Scholes option pricing model. There were no warrants exercised during the nine months ended September 30, 2020 (3,750 – nine months ended September 30, 2019). There are 1,823,400 warrants outstanding as of September 30, 2020.

Dated: November 26, 2020

