

# **RediShred Capital Corp.**

Condensed Interim Consolidated Financial Statements  
**March 31, 2021 and 2020**  
(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

**May 26, 2021**

**In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended March 31, 2021.**

# RediShred Capital Corp.

## Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

(expressed in Canadian dollars)

	2021 \$	2020 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,485,130	2,844,451
Cash attributable to the Growth Fund (note 3)	184,248	139,370
Trade and other receivables (note 4)	2,563,955	2,116,626
Prepaid expenses	491,664	336,041
Notes receivable from franchisees (note 5)	55,968	63,669
<b>Total current assets</b>	<b>6,780,965</b>	<b>5,500,157</b>
<b>Non-current assets</b>		
Notes receivable from franchisees (note 5)	232,742	242,903
Tangible assets (note 6)	14,225,954	15,215,019
Intangible assets (note 7)	16,491,863	17,324,197
Goodwill (note 9)	19,547,011	19,747,975
Deferred tax asset (note 19)	605,069	657,543
<b>Total non-current assets</b>	<b>51,102,639</b>	<b>53,187,637</b>
<b>Total assets</b>	<b>57,883,604</b>	<b>58,687,794</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,897,397	2,177,770
Deferred revenue	146,728	163,571
Current portion of long-term debt (note 12)	3,484,177	3,475,613
Notes payable (note 10)	170,806	261,950
Lease liability (note 13)	1,055,475	1,080,653
Contingent consideration (note 11)	825,522	888,696
<b>Total current liabilities</b>	<b>7,580,105</b>	<b>8,048,253</b>
<b>Non-current liabilities</b>		
Long-term debt (note 12)	15,391,061	16,289,454
Deferred revenue	127,376	143,774
Lease liability (note 13)	2,501,763	2,770,883
Contingent consideration (note 11)	963,827	1,027,794
<b>Total non-current liabilities</b>	<b>18,984,027</b>	<b>20,231,905</b>
<b>Total liabilities</b>	<b>26,564,132</b>	<b>28,280,158</b>
<b>Shareholders' equity</b>		
Capital stock (note 14)	35,487,752	35,564,756
Contributed surplus	1,184,886	1,170,931
Accumulated foreign currency translation income (loss)	(551,957)	(570,759)
Deficit	(4,801,209)	(5,757,292)
<b>Total liabilities and shareholders' equity</b>	<b>57,833,604</b>	<b>58,697,794</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(signed) "Phillip H. Gaunce" Director

(signed) "Brad Foster" Director

## RediShred Capital Corp.

### Condensed Interim Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	2021	2020
	\$	(Restated- see note 2) \$
Revenue (note 15)	7,313,488	6,593,579
Corporate locations expenses (note 16)	(4,401,972)	(4,220,345)
Depreciation – tangible assets	(1,033,268)	(844,679)
General and administrative expenses (note 17)	(857,490)	(1,013,910)
Total expenses	(6,292,730)	(6,078,934)
<b>Operating income</b>	<b>1,020,758</b>	<b>514,645</b>
Interest expense	(252,543)	(195,115)
Interest income	3,635	34,115
Government assistance (note 18)	1,320,135	-
Amortization – intangible assets	(641,792)	(513,337)
Revaluation of contingent consideration (note 11)	-	187,337
Foreign exchange (loss) gain	(508,771)	3,629,543
<b>Income before income taxes</b>	<b>941,422</b>	<b>3,657,188</b>
Income tax recovery (expense) (note 19)	14,660	(42,794)
<b>Net income for the period</b>	<b>956,082</b>	<b>3,614,394</b>
<b>Other comprehensive income</b>		
Foreign currency translation gain (loss)	18,802	(73,296)
<b>Comprehensive income for the period</b>	<b>974,884</b>	<b>3,541,098</b>
<b>Net income per share</b>		
Basic	0.012	0.046
Diluted	0.012	0.045
<b>Weighted average number of commons shares outstanding – basic</b>	<b>78,881,831</b>	<b>78,500,605</b>
<b>Weighted average number of commons shares outstanding – diluted</b>	<b>79,626,365</b>	<b>80,380,274</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## RediShred Capital Corp.

### Condensed Interim Consolidated Statements of Changes in Equity

For the three months ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	Capital stock and warrants \$ (note 14)	Contributed surplus \$	Accumulated foreign currency translation loss \$	Deficit \$	Total shareholders' equity \$
<b>Balance – January 1, 2020</b>	35,543,272	1,056,504	(666,286)	(6,033,193)	29,900,297
Net income for the period	–	–	–	3,614,394	3,614,394
Foreign currency translation loss	–	–	(73,296)	–	<u>(73,296)</u>
Comprehensive income for the period					3,541,098
Issue of shares (note 14)	(74,889)	–	–	–	(74,889)
Stock-based compensation (note 14)	–	62,635	–	–	<u>62,635</u>
<b>Balance – March 31, 2020 (restated – see note 2)</b>	<b><u>35,468,383</u></b>	<b><u>1,119,139</u></b>	<b><u>(739,582)</u></b>	<b><u>(2,418,799)</u></b>	<b><u>33,429,141</u></b>
<b>Balance – January 1, 2021</b>	35,564,756	1,170,931	(570,759)	(5,757,292)	30,407,636
Net income for the period	–	–	–	956,082	956,082
Foreign currency translation gain	–	–	18,802	–	<u>18,802</u>
Comprehensive income for the period					974,884
Issue of shares (note 14)	(77,003)	(2,148)	–	–	(79,151)
Stock-based compensation (note 14)	–	16,103	–	–	<u>16,103</u>
<b>Balance – March 31, 2021</b>	<b><u>35,487,752</u></b>	<b><u>1,184,886</u></b>	<b><u>(551,957)</u></b>	<b><u>(4,801,209)</u></b>	<b><u>31,319,472</u></b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# RediShred Capital Corp.

## Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2021 and 2020

(expressed in Canadian dollars)

	2021	2020 (Restated – see note 2)
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the period	956,082	3,614,394
Items not affecting cash		
Amortization of tangible and intangible assets	1,675,059	1,358,016
Stock-based compensation	16,103	62,635
Unrealized foreign currency loss (gain)	501,972	(3,435,878)
Revaluation of contingent consideration	–	(187,337)
Future income tax (recovery) expense	(45,209)	48,881
	<u>3,104,007</u>	<u>1,460,711</u>
Net change in non-cash working capital balances		
(Increase) in trade receivables	(226,114)	(115,171)
(Increase) in prepaid expenses	(159,662)	(106,140)
(Decrease) increase in accounts payable and accrued liabilities	(610,382)	484,678
(Decrease) in deferred revenue	(30,088)	(45,309)
<b>Net cash provided by operations</b>	<u>2,077,761</u>	<u>1,678,769</u>
<b>Financing activities</b>		
Borrowings from long-term debt	–	3,669,222
Repayment of long-term debt	(847,738)	(852,837)
Issuance of capital stock (net of fees)	18,359	–
Repayment of notes receivable	14,598	60,616
Repayment of notes payable	(88,957)	(94,022)
Repayment of lease liability	(255,915)	(228,594)
Payment of contingent considerations	(7,517)	(914,168)
<b>Net cash (used in) from financing activities</b>	<u>(1,167,170)</u>	<u>1,640,217</u>
<b>Investing activities</b>		
Amount paid on acquisitions; net of cash acquired	–	(5,474,280)
(Increase) decrease in cash held by Growth Fund	(46,784)	48,466
Purchase of tangible and intangible assets	(195,827)	(1,293,311)
<b>Net cash used in investing activities</b>	<u>(242,611)</u>	<u>(6,719,125)</u>
<b>Effect of foreign exchange rate changes on cash</b>	<u>(27,301)</u>	<u>306,223</u>
<b>Net change in cash for the period</b>	640,679	(3,093,916)
<b>Cash – Beginning of period</b>	<u>2,844,451</u>	<u>10,063,511</u>
<b>Cash – End of period</b>	<u>3,485,130</u>	<u>6,969,595</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 1 Corporate information and nature of operations

Redishred Capital Corp. (“Redishred” or the “Company”) was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred’s common shares are listed for trading on the TSX Venture Exchange under the symbol “KUT”. The registered address of the Company is 6505 Mississauga Road, Suite A, Mississauga, Ontario, L5N 1A6.

Redishred manages and operates the Proshred brand and business platform (“system”) in the United States and internationally. Redishred operates the Proshred system under two business models in the United States, (1) via franchising, and (2) via direct operation of twelve corporate locations, as of March 31, 2021.

### 2 Significant accounting policies

#### *Basis of Presentation*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the most recently issued Annual Report of Redishred for the year ended December 31, 2020, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. These condensed interim consolidated financial statements comprise the financial statements of Redishred and its subsidiaries as of March 31, 2021. Together, Redishred and its subsidiaries are referred to as “the Company.”

The Company’s significant accounting policies were presented as Note 3 to the Audited Consolidated Financial Statements for the year ended December 31, 2020 and have been consistently applied in the preparation of these condensed interim consolidated financial statements.

The results reported in these condensed interim consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period’s presentation. These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s presentation currency.

The Company has restated the income tax in the Condensed Interim Consolidated Statement of Comprehensive Income for the three months ended March 31, 2020. The Company recorded an update to the income tax provision, primarily related to deferred taxes with respect to the ProShred Connecticut acquisition (note 8), in the appropriate quarter. The overall impact was an increase in income tax expense of \$48,881, decrease in capital stock of \$74,889, increase in goodwill of \$955,828 and a decrease in deferred tax asset of \$1,079,598.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 2 Significant accounting policies (continued)

#### *Basis of Presentation* (continued)

During 2020 and 2021, the global spread of the COVID-19 virus has led to significant disruptions to businesses worldwide, resulting in an economic downturn. 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 in an attempt to stabilize economic conditions. The Company has considered the potential negative impacts and cash flow difficulties of the virus on its franchisees, customers, suppliers and lenders. The impacts and length of time of the COVID-19 pandemic and its impacts are currently unknown. The Company has used the best information available as of March 31, 2021, in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities, and earnings for the period. Actual results could differ from those estimates.

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021 were authorized for issue in accordance with a resolution of the Directors on May 26, 2021.

### 3 Growth fund

The Company manages a Growth Fund (formerly referred to as 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, acceptance and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regard to these contributions. 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 Growth Fund contributions and expenses from the Company owned locations have been eliminated on consolidation. The Growth Fund related contributions and expenses as well as cash balance as of March 31, 2021 and December 31, 2020 are as follows:

<b>For the 3 months ended,</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	\$	\$
Growth Fund contributions	58,869	47,592
Growth Fund expenses	<u>(72,770)</u>	<u>(77,047)</u>
<b>Growth Fund net loss</b>	<u>(13,901)</u>	<u>(29,455)</u>

  

<b>As at,</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	\$	\$
Cash attributable to the Growth Fund	184,248	139,370

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 4 Trade and other receivables

Trade receivables include receivables from franchisees and shredding, recycling, electronic waste and scanning customers. Other receivables include amounts related to the Canadian Emergency Wage Subsidies and Harmonized Sales Tax (“HST”) refunds. To support franchisees during COVID-19, the Company deferred royalty fee payments related to royalties earned in March and April of 2020 for its franchisees. 84% of franchisees have begun to repay the deferred royalties over a 12-month period. The net trade and other receivables as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables – corporate locations	2,278,001	1,697,537
Trade receivables – franchising & licensing	254,665	323,030
Total trade receivables	2,532,666	2,020,567
Other receivables	79,866	145,177
Less: Allowance for doubtful accounts	(48,577)	(49,118)
<b>Trade and other receivables – net</b>	<b>2,563,955</b>	<b>2,116,626</b>

### 5 Notes receivable from franchisees

Notes receivable arise from the financing of the initial franchise fee and from the sale of customer assets when the customer assets are located in the franchisee’s territory. All notes receivable are guaranteed by the respective owners of the franchises. The notes receivable bear interest at rates ranging from 5.25% to 6.00% per annum with monthly blended payments of principal and interest ranging from USD\$1,007 to USD\$3,735. The payments on the notes mature between dates ranging from June, 2021 to April, 2025.

The notes receivable as of March 31, 2021 and December 31, 2020 are as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Opening balance	306,572	400,618
Add: issuance of notes	-	6,985
Less: repayments	(17,863)	(101,031)
Closing balance	288,709	306,572
Less: current portion	(55,968)	(63,669)
<b>Long-term portion</b>	<b>232,742</b>	<b>242,903</b>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 6 Tangible assets

	March 31, 2021			December 31, 2020		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer equipment	374,997	(294,839)	80,158	394,976	(307,389)	87,587
Furniture & fixtures	256,634	(216,618)	40,016	258,432	(206,729)	51,703
Bins & shredding containers	2,301,209	(1,160,925)	1,140,284	2,289,375	(1,093,192)	1,196,183
Shredding vehicles - chassis	5,062,855	(2,126,921)	2,935,934	5,014,872	(1,928,103)	3,086,769
Shredding vehicles - box	10,793,919	(4,677,391)	6,116,528	10,915,798	(4,330,229)	6,585,569
Vehicles	202,020	(176,476)	25,544	192,038	(174,489)	17,549
Baling equipment	470,497	(101,941)	368,556	475,741	(91,184)	384,557
ROU Office and Warehouse	4,329,198	(1,374,350)	2,954,848	4,360,993	(1,178,372)	3,182,621
ROU Truck leases	1,649,082	(1,084,996)	564,086	1,667,463	(1,044,982)	622,481
Total tangible assets	25,440,411	(11,214,457)	14,225,954	25,569,688	(10,354,669)	15,215,019

	December 31, 2020			March 31, 2021	
	Net carrying value	Additions	Depreciation	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$
Computer equipment	87,587	5,497	(13,245)	319	80,158
Furniture & fixtures	51,703	-	(11,457)	(230)	40,016
Bins & shredding containers	1,196,183	55,057	(99,030)	(11,926)	1,140,284
Shredding vehicles - chassis	3,086,769	119,722	(206,921)	(63,636)	2,935,934
Shredding vehicles - box	6,585,569	10,198	(425,210)	(54,029)	6,116,528
Vehicles	17,549	-	(4,809)	12,804	25,544
Baling equipment	384,557	-	(11,857)	(4,144)	368,556
ROU Office and Warehouse	3,182,621	-	(208,796)	(18,977)	2,954,848
ROU Truck leases	622,481	-	(51,943)	(6,452)	564,086
Total tangible assets	15,215,019	190,474	(1,033,268)	(146,271)	14,225,954

	December 31, 2019				December 31, 2020	
	Net carrying value	Additions	Acquisitions	Depreciation	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer equipment	41,593	49,160	35,085	(38,717)	466	87,587
Furniture & fixtures	101,654	5,645	-	(56,456)	860	51,703
Bins & shredding containers	1,035,531	172,533	351,246	(358,914)	(4,213)	1,196,183
Shredding vehicles - chassis	2,602,070	568,363	643,345	(706,207)	(20,802)	3,086,769
Shredding vehicles - box	5,325,672	1,326,635	1,471,505	(1,498,457)	(39,786)	6,585,569
Vehicles	37,105	-	13,300	(33,234)	378	17,549
Baling equipment	452,322	-	-	(60,917)	(6,848)	384,557
ROU Office and Warehouse	1,877,749	-	1,460,569	(710,845)	555,148	3,182,621
ROU Truck leases	861,894	4,651	-	(237,350)	(6,714)	622,481
Total tangible assets	12,335,590	2,126,987	3,975,050	(3,701,097)	478,489	15,215,019

The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at March 31, 2021 and December 31, 2020.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 7 Intangible assets

	March 31, 2021			December 31, 2020		
	Cost	Accumulated amortization	Net carrying value	Cost	Accumulated amortization	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer software	418,316	(158,423)	259,893	427,686	(133,435)	294,251
Re-acquired franchise rights	987,842	(575,894)	411,948	998,853	(485,667)	513,186
Trademarks & intellectual property	45,911	(1,148)	44,763	45,911	(825)	45,086
Customer relationships	20,928,348	(5,153,089)	15,775,259	21,161,626	(4,689,952)	16,471,674
<b>Total intangible assets</b>	<b>22,380,417</b>	<b>(5,888,554)</b>	<b>16,491,863</b>	<b>22,634,076</b>	<b>(5,309,879)</b>	<b>17,324,197</b>

	December 31, 2020		March 31, 2021	
	Net carrying value	Amortization	Foreign exchange	Net carrying value
	\$	\$	\$	\$
Computer software	294,251	(26,009)	(8,349)	259,893
Re-acquired franchise rights	513,186	(96,340)	(4,898)	411,948
Trademarks & intellectual property	45,086	(1,148)	825	44,763
Customer relationships	16,471,674	(518,295)	(178,120)	15,775,259
<b>Total intangible assets</b>	<b>17,324,197</b>	<b>(641,792)</b>	<b>(190,542)</b>	<b>16,491,863</b>

	January 1, 2020					December 31, 2020
	Net carrying value	Additions	Acquisitions	Amortization	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer software	197,806	195,074	-	(95,042)	(3,587)	294,251
Re-acquired franchise rights	449,490	-	464,101	(405,003)	4,598	513,186
Trademarks & intellectual property	-	45,911	-	(825)	-	45,086
Customer relationships	12,343,620	-	6,227,799	(1,802,664)	(297,081)	16,471,674
<b>Total intangible assets</b>	<b>12,990,916</b>	<b>240,985</b>	<b>6,691,900</b>	<b>(2,303,534)</b>	<b>(296,070)</b>	<b>17,324,197</b>

The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at March 31, 2021 and December 31, 2020. Amortization of intangible assets for the period is included in the statement of comprehensive income. The Company's re-acquired franchise rights, and customer relationships are attributed to the Company's franchises and corporately owned locations in the US.

### 8 Acquisitions

The Company completed the following acquisitions during the year ended December 31, 2020:

1. On March 1, 2020, the Company acquired the common shares of the Proshred Connecticut (Pleasant Point Partners Corp) business from its franchisee.
2. On December 31, 2020, the Company acquired the assets of the Proshred and Proscan Massachusetts business from its franchisee.

The Company conducted the acquisitions to increase its long-term cash flows and to increase its market share in the United States.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 8 Acquisitions (continued)

The purchase price of each acquisition was allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of each acquisition. The Company translated the fair values of all assets acquired, liabilities assumed and consideration given using the exchange rate on the date of the acquisitions.

The following table outlines the total amounts of the assets purchased and the consideration given on the closing date of the acquisitions in aggregate.

During the year ended December 31, 2020	Proshred Connecticut	Proshred & Proscan Massachusetts	Total
Exchange rate used	1.33	1.27	
<b>Assets acquired</b>	\$	\$	\$
Net Working capital	166,250	-	166,250
Tangible assets	1,133,567	2,841,483	3,975,050
Customer relationships	2,635,274	3,569,250	6,204,524
Re-acquired franchise rights	173,571	291,767	465,338
Goodwill	3,749,323	2,864,223	6,613,546
Future tax consequences of acquired assets	(1,517,677)	-	(1,517,677)
	<u>6,340,308</u>	<u>9,566,723</u>	<u>15,907,031</u>
<b>Consideration given</b>			
Cash	5,453,000	7,016,751	12,469,751
Contingent consideration (note 14)	767,986	1,208,725	1,976,711
Lease liabilities assumed	119,322	1,341,247	1,460,569
	<u>6,340,308</u>	<u>9,566,723</u>	<u>15,907,031</u>
Acquisition costs (expensed in statement of comprehensive income)	<u>38,997</u>	<u>65,916</u>	<u>104,913</u>

The contingent consideration liability related to the acquisitions are tied to:

- the gross profit (revenue less direct costs) over an 18-month period post acquisition on the Chicago and Connecticut acquisitions;
- the selling, general and administrative costs being within a targeted range over a 12-month period post acquisition on the Connecticut acquisition; and
- the shredding services over a 36-month period post acquisition on the Massachusetts acquisition.

### 9 Goodwill

The goodwill as of March 31, 2021 and December 31, 2020 is as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Opening balance	19,747,975	14,102,815
Acquisitions	-	6,613,546
Impairment loss	-	(586,235)
Foreign currency translation	(200,964)	(382,151)
Closing balance	<u>19,547,011</u>	<u>19,747,975</u>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 10 Notes payable

As of March 31, 2021, the Company has the following related to notes payable:

<u>Origination date</u>	<u>Initial amount</u>	<u>Payment <sup>(1)</sup></u>	<u>Interest per annum</u>	<u>Current portion</u>	<u>Long-term portion</u>	<u>Maturity date</u>
October 1, 2018	USD\$550,000	USD\$19,753	5.00%	CAD\$170,806 USD\$135,992	--	October 1, 2021

(1) Blended monthly payments of principal and interest.

### 11 Contingent consideration

The Company has recorded contingent consideration liabilities as part of the businesses acquired (note 8). The contingent consideration liabilities are paid to the vendors if certain financial results are achieved. The fair value of contingent consideration was reassessed and there was no change in value as of March 31, 2021.

As of March 31, 2021, the Company has the following related to contingent consideration:

<u>Range of origination</u>	<u>Range of initial amounts</u>	<u>Range of maturity</u>	<u>Total current portion</u>	<u>Total long-term portion</u>
October 1, 2018 to December 31, 2020	USD\$98,000 to USD\$1,223,362	September 30, 2021 to December 31, 2023	CAD\$825,522 USD\$657,262	CAD\$963,827 USD\$767,378

### 12 Long-term debt

As of March 31, 2021 and December 31, 2020 long-term debt is comprised of:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>\$</u>	<u>\$</u>
Bank facilities (i)	15,403,065	15,976,478
Less: transaction costs	(223,451)	(233,435)
Net bank facilities	<u>15,179,614</u>	<u>15,743,043</u>
Truck loans (ii)	<u>3,695,624</u>	<u>4,022,024</u>
Total long-term debt	<u>18,875,238</u>	<u>19,765,067</u>
Less: current portion	<u>(3,484,177)</u>	<u>(3,475,613)</u>
<b>Total long-term debt</b>	<u>15,391,061</u>	<u>16,289,454</u>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 12 Long-term debt (continued)

#### (i) Bank facilities (continued)

As of March 31, 2021, 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\$12.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As of March 31, 2021, the Company has borrowed the following amounts on the non-revolving term loans:

Month of Advance	Initial amount	Interest per annum	Amortization period	March 31, 2021 Balance	December 31, 2020 Balance
	\$			\$	\$
May, 2019	6,003,210	3.50%	84 months	4,865,126	5,061,933
November, 2019	6,664,242	3.50%	84 months	5,827,327	6,043,111
March, 2020	2,688,000	2.99%	84 months	2,494,394	2,581,834
December, 2020	2,289,600	3.33%	84 months	2,216,218	2,289,600
Total bank facilities				15,403,065	15,976,478

As of March 31, 2021, the Company has \$1.0 million available on its operating line of credit and \$38,000 available on its senior credit facilities.

During the year ended December 31, 2020, in response to the impacts of COVID-19, the Company obtained a deferral of its principal payments, from its financial institution. The Company accounted for this as a debt modification and amended the non-revolving term loans such that the new amounts represent the fair value of the modified debt arrangements. This resulted in a debt discount of \$113,734 and was recorded as a gain on debt modification in the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020.

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.

The bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds, as outlined in the Audited Consolidated Financial Statements for the year ended December 31, 2020. As of March 31, 2021, the Company was in compliance with its banking covenants.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 12 Long-term debt (continued)

#### (ii) Truck loans

The Company has established a USD\$1.7 million line of credit for the purchase of shredding vehicles with 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 March 31, 2021 and December 31, 2020, the Company has utilized the entire line of credit, which is included in the truck loans balance.

As of March 31, 2021, the Company has the following related to truck loans:

	Loan value	Carrying value of assets pledged	Range of interest rates	Range of origination dates	Range of maturity dates
	\$	\$			
Truck loans	3,695,624	4,499,709	3.99% to 6.40%	July 29, 2016 to December 4, 2020	August 5, 2021 to December 4, 2025

#### (iii) 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 of March 31, 2021, the facility has not been drawn upon (December 31, 2020 - \$nil).

### 13 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 ("ROU") 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
Office and warehouse building	12	October 2020 to August 2025	6%
Shredding vehicles	7	August 2021 to October 2022	5.95% to 6.50%

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 13 Lease liabilities (continued)

As of March 31, 2021 and December 31, 2020 lease liabilities is comprised of:

	March 31, 2021	December 31, 2020
	\$	\$
Office and warehouse building	3,083,813	3,309,585
Shredding vehicles	473,425	541,951
Total lease liability	3,557,238	3,851,536
Less: current portion	(1,055,475)	(1,080,653)
<b>Total long-term lease liability</b>	<b>2,501,763</b>	<b>2,770,883</b>

The total lease payments for the three months ended March 31, 2021 were \$255,915 (March 31, 2020 - \$228,594).

### 14 Capital stock

#### a) Authorized

Unlimited number of common shares, without nominal or par value.

Unlimited number of preferred shares, without nominal or par value.

#### b) Issued and fully paid

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

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance March 31, 2021	78,894,438	34,908,239	1,772,400	579,513	80,666,838	35,487,752
Balance December 31, 2020	78,843,438	34,964,748	1,823,400	600,008	80,666,838	35,564,756

#### c) Weighted average number of common shares

The basic weighted average number of common shares outstanding for the three months ended March 31, 2021, was 78,881,831 (December 31, 2020 – 78,690,701). The diluted weighted average number of common shares outstanding for the three months ended March 31, 2021, was 79,626,365 (December 31, 2020 – 79,304,547).

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 14 Capital stock (continued)

#### d) Warrants

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 51,000 warrants exercised during the three months ended March 31, 2021 (nil – three months ended March 31, 2020). There are 1,772,400 warrants outstanding as of March 31, 2021.

#### e) Stock options

The following table summarizes the movements in the Company's stock options during the three months ended March 31, 2021 and the year ended December 31, 2020:

	2021		2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding – opening	1,954,317	0.60	2,050,150	0.52
Granted	8,650	0.74	252,000	0.68
Exercised	-	-	(342,833)	0.22
Expired	-	-	(5,000)	0.10
Outstanding – closing	<u>1,962,967</u>	0.60	<u>1,954,317</u>	0.60

For the three months ended March 31, 2021, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$16,103 (for the three months ended March 31, 2020 – \$62,635).

### 15 Revenue

The revenue earned by the Company is broken down as follows:

For the three months ended March 31,	2021	2020
	\$	\$
Shredding services	5,665,429	5,148,881
Sale of paper products	622,160	531,487
Royalties and license fees	417,635	497,391
Scanning services	286,790	35,550
Electronic waste services	230,507	287,369
Growth Fund contributions	58,869	47,592
Franchise fees	32,098	45,309
<b>Total revenue</b>	<u>7,313,488</u>	<u>6,593,579</u>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 16 Corporate location expenses

The corporate operating locations expenses of the Company are broken down as follows:

For the three months ended March 31,	<u>2021</u>	<u>2020</u>
	\$	\$
Shredding vehicle and related expenses	1,007,697	893,892
Acquisition costs	51,396	59,004
Employee wages expense	2,279,928	2,188,954
Employee benefit expense	437,369	425,574
Office and administration expense	625,582	652,921
<b>Total corporate location expenses</b>	<u>4,401,972</u>	<u>4,220,345</u>

### 17 General and administrative expenses

The selling, general and administrative expenses of the Company are broken down as follows:

For the three months ended March 31,	<u>2021</u>	<u>2020</u>
	\$	\$
Employee wages and benefits	442,689	463,974
Share-based compensation	16,103	62,635
Acquisition costs	11,910	86,030
Professional fees	75,675	62,906
Technology	107,532	92,386
Growth Fund expense (note 3)	72,770	77,047
Other	130,811	168,932
<b>Total general and administrative expenses</b>	<u>857,490</u>	<u>1,013,910</u>

#### Compensation of key management

Included in employee wages and benefits and share-based compensation expense above is key management personnel compensation as follows:

For the three months ended March 31,	<u>2021</u>	<u>2020</u>
	\$	\$
Wages and benefits	297,193	216,983
Share-based compensation	12,990	55,041
<b>Total compensation of key management</b>	<u>310,183</u>	<u>272,024</u>

Compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, Senior Vice President of Operations and the Board of Directors.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 18 Government Assistance

In February and March 2021, the Company qualified for the second draw on the Paycheck Protection Program loan (“PPP”) in the United States. The PPP loan has been made available by the US Small Business Administration to eligible US businesses that have been affected by the COVID-19 pandemic. The program helps businesses keep their workforce employed during the COVID-19 crisis by providing relief in the form of a forgivable loan used for payroll costs. During the three months ended March 31, 2021, the Company received USD\$1.0 million under the program of which up to the full amount of the loan may be forgiven if the proceeds are used to cover payroll, rent and other operating costs. Any portion of the loan that is not forgiven will be repayable over a two-year term at an interest rate of 1.00% per annum with payments deferred for the first 16 months. The Company expects the full amount to be forgiven and has recorded the amount as other income in the Statement of Comprehensive Income during the three months ended March 31, 2021.

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy (“CEWS”) program in April 2020, retroactive to March 15, 2020. CEWS provides a wage subsidy to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. The Company qualified for and accordingly applied for, the CEWS for the period from January 1, 2021 to March 31, 2021. The Company received \$28,453 from the CEWS program that has been recorded as other income within the Statement of Comprehensive Income during the three months ended March 31, 2021.

### 19 Income taxes

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 to December 31, 2039, commencing December 31, 2022. The Company recognized all temporary differences and non-capital losses and is expected to utilize those losses going forward.

### 20 Financial instruments and fair values

The Company has financial assets that consist of: cash and cash equivalents, cash attributable to the Growth Fund, trade receivables and notes receivable from franchisees. The Company’s financial liabilities include accounts payable and accrued liabilities, notes payable, long-term debt, lease liabilities and contingent consideration.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, foreign exchange risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 20 Financial instruments and fair values (continued)

#### Interest rate risk

The Company's cash is subject to interest rate risk, as it earns and pays interest at prevailing and fluctuating market rates. Company has fixed rates on notes receivable from franchisees ranging from 5.25% to 6.00% per annum. The Company's line of credit has a variable interest rate of prime plus 1.00% per annum. The Company has fixed interest rates ranging from 2.99% to 3.50% per annum on its term loans. The Company's line of credit facility with a related party has a fixed interest rate of 10% per annum. The truck loans and leases have fixed interest rates ranging from 4.54% to 6.40% per annum. The Company's notes payable have fixed interest rates ranging from 1.25% to 5.00%. These financial instruments are subject to interest rate risk, as their fair values will fluctuate as a result of changes in market rates.

The global impact of COVID-19 has resulted in substantial market volatility however the Bank of Canada, the US Federal Reserve and other lenders have taken steps to stabilize interest rates.

#### Credit risk

In accordance with its investment policy, the Company maintains cash deposits with banks. The credit risk on cash is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

#### *Receivables related to franchising and licensing*

The accounts and notes receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees. In addition, the receivable balances are monitored on an ongoing basis. As of March 31, 2021, six (6) franchisees accounted for 72% of the accounts receivable and notes receivable balance related to franchising and licensing (December 31, 2020 - 6 franchises accounted for 69%). For the three months ended March 31, 2021, three (3) franchisees accounted for 24% of the Company's revenues related to franchising and licensing (December 31, 2020 - 3 franchisees accounted for 23%). As of March 31, 2021, there was \$101,669 in accounts and notes receivable over 90 days old (December 31, 2020— \$145,417). To support franchisees during COVID-19, the Company has deferred royalty fee payments related to royalties earned in March and April of 2020 for its franchisees. 84% of franchisees have begun to repay the deferred royalties over a 12-month period. Also refer to note 5 for details of notes receivable from franchisees.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 20 Financial instruments and fair values (continued)

#### *Receivables related to corporate operations*

The accounts receivable are exposed to credit risk from the possibility that customers may experience financial difficulty. As of March 31, 2021 and December 31, 2020, no customer accounted for more than 10% of the accounts receivable balance. For the three months ended March 31, 2021 and 2020, no customer accounted for more than 10% of the Company's revenues in this category. As of March 31, 2021, 3% of accounts receivable, net of allowance of doubtful accounts, in this category was over 90 days old (December 31, 2020 – 10%). As at March 31, 2021, the Company recorded an allowance for credit losses from receivables of \$48,577 related to corporate operations (December 31, 2020 - \$49,118).

The Company has considered the probability of default by its franchisees and customers due to the impact of COVID-19 on businesses and cash flows. The maximum exposure to credit risk is the carrying amount of each class of financial assets. Collection of receivables remain a priority for the Company under the current situation and collectability remains highly probable.

#### **Foreign exchange risk**

The Company has revenues and costs that are denominated in USD dollars; this dependency on the USD dollar causes foreign exchange gains when the Canadian dollar depreciates versus the USD dollar. The Company has significant assets denominated in USD dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses. During the three months ended March 31, 2021, the Company recorded a foreign exchange loss of \$1,551,658 (March 31, 2020 – gain of \$3,629,543).

Exchange rates utilized (USD to CAD):

<b>As at,</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
	\$	\$
Close rate	1.26	1.27
	\$	\$
<b>For the three months ended,</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	\$	\$
Average rate	1.27	1.32

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 20 Financial instruments and fair values (continued)

#### Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. Cash flow forecasting is performed by management, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Although management considers its assumptions used in its cash flow forecasts to be reasonable, there is no assurance that the cash flow forecasts will be achieved.

Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due. The current liabilities of \$7,580,105 at March 31, 2021 (December 31, 2020 - \$8,048,253), are due to be settled within one year from the date of the statement of financial position. The Company has current assets of \$6,780,965 at March 31, 2021 (December 31, 2020 - \$5,500,157) including cash and cash equivalents of \$3,485,130 (December 31, 2020 - \$2,844,451).

Principal	Less than 3 months \$	3 months to 1 year \$	1 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	1,727,397	170,000	–	–
Long-term debt	861,740	2,622,437	12,754,415	2,636,646
Notes payable	72,594	98,212	–	–
Lease liabilities	257,729	797,746	2,076,679	425,084
Contingent consideration	92,098	733,424	963,827	–
Interest	Less than 3 months \$	3 months to 1 year \$	1 – 5 years \$	Over 5 years \$
Long-term debt	167,855	446,747	1,159,222	18,239
Notes payable	1,460	816	–	–
Lease liabilities	51,768	132,944	281,861	27,076
Total principal and interest	Less than 3 months \$	3 months to 1 year \$	1 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	1,727,397	170,000	–	–
Long-term debt	1,029,595	3,069,183	13,913,637	2,654,885
Notes payable	74,054	99,028	–	–
Lease liabilities	309,497	930,690	2,358,540	452,160
Contingent consideration	92,098	733,424	963,826	–

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 20 Financial instruments and fair values (continued)

#### Fair value of financial instruments

The carrying value amounts of many of the Company's financial instruments, including cash, trade receivables, accounts payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value due primarily to the short-term maturity of the related instruments. The fair value estimates of the Company's notes receivable from franchisees are made as at a specific point in time based on estimates using present value or other valuation techniques. The carrying value of the Company's notes receivable from franchisees approximates fair value. The carrying value of the Company's notes payable, long-term debt and contingent consideration approximates fair value as the rates are similar to rates currently available to the Company.

These valuation techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors.

### 21 Capital management

The Company defines capital as shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains the appropriate capital levels to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or issue debt securities.

To effectively manage its capital, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has sufficient liquidity to meet its operating and growth objectives. The Company expects its current resources and projected cash flows from continuing operations to support its growth objectives.

The Company has credit facilities with a banking institution which provides an operating line of credit and a non-revolving term loan. The Company's bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds. Refer to note 11 for the financial covenants.

### 22 Segment reporting

The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The Company operates three reportable operating segments, (1) the granting and managing of shredding business franchises under the "Proshred" trademark (Franchising and licensing), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate).

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 22 Segment reporting (continued)

Total assets and liabilities by reportable operating segment are as follows:

	<b>Franchising and licensing</b>	<b>Corporate locations</b>	<b>Corporate</b>	<b>Total</b>
	<b>March 31, 2021</b>	<b>March 31, 2021</b>	<b>March 31, 2021</b>	<b>March 31, 2021</b>
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	643,725	2,260,158	581,247	3,485,130
Cash attributable to the Growth Fund	184,248	-	-	184,248
Trade and other receivables	256,923	2,251,083	55,949	2,563,955
Prepaid expenses	82,554	305,244	103,866	491,664
Notes receivable from franchisees	55,968	-	-	55,968
<b>Total current assets</b>	<b>1,223,418</b>	<b>4,816,485</b>	<b>741,062</b>	<b>6,780,965</b>
<b>Non-current assets</b>				
Notes receivable from franchisees	232,742	-	-	232,742
Tangible assets	-	14,050,628	175,326	14,225,954
Intangible assets	51,615	16,185,917	254,331	16,491,863
Goodwill	-	19,547,011	-	19,547,011
Deferred tax asset	-	-	605,069	605,069
<b>Total assets</b>	<b>1,507,774</b>	<b>54,600,041</b>	<b>1,775,788</b>	<b>57,883,604</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	76,325	1,277,950	543,123	1,897,397
Deferred revenue	146,728	-	-	146,728
Current portion of long-term debt	-	3,484,177	-	3,484,177
Notes payable	-	170,806	-	170,806
Lease liability	-	986,933	68,541	1,055,475
Contingent consideration	-	825,522	-	825,522
<b>Total current liabilities</b>	<b>223,053</b>	<b>6,745,388</b>	<b>611,664</b>	<b>7,580,105</b>
<b>Non-current liabilities</b>				
Long-term debt	-	15,391,061	-	15,391,061
Deferred revenue	127,376	-	-	127,376
Lease liability	-	2,388,652	113,111	2,501,763
Contingent consideration	-	963,827	-	963,827
<b>Total liabilities</b>	<b>350,429</b>	<b>25,488,928</b>	<b>724,775</b>	<b>26,564,132</b>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 22 Segment reporting (continued)

	Franchising and licensing	Corporate locations	Corporate	Total
	December 31, 2020	December 31, 2020	December 31, 2020	December 31, 2020
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	49,887	640,935	2,153,629	2,844,451
Cash attributable to the Growth Fund	139,370	-	-	139,370
Trade and other receivables	1,802,333	192,301	121,992	2,116,626
Prepaid expenses	273,792	17,437	44,812	336,041
Notes receivable from franchisees	63,669	-	-	63,669
<b>Total current assets</b>	<b>2,329,051</b>	<b>850,673</b>	<b>2,320,433</b>	<b>5,500,157</b>
<b>Non-current assets</b>				
Notes receivable from franchisees	242,903	-	-	242,903
Tangible assets	-	15,015,740	199,279	15,215,019
Intangible assets	74,696	16,982,930	266,570	17,324,196
Goodwill	-	19,747,975	-	19,747,975
Deferred tax asset	-	-	657,543	657,543
<b>Total assets</b>	<b>2,646,650</b>	<b>52,597,318</b>	<b>3,443,825</b>	<b>58,687,793</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	164,338	1,458,129	555,303	2,177,770
Deferred revenue	163,571	-	-	163,571
Current portion of long-term debt	-	3,475,613	-	3,475,613
Notes payable	-	261,950	-	261,950
Lease liability	-	1,013,830	66,823	1,080,653
Contingent consideration	-	888,696	-	888,696
<b>Total current liabilities</b>	<b>327,909</b>	<b>7,098,218</b>	<b>622,126</b>	<b>8,048,253</b>
<b>Non-current liabilities</b>				
Long-term debt	-	16,289,454	-	16,289,454
Deferred revenue	143,774	-	-	143,774
Lease liability	-	2,639,941	130,942	2,770,883
Contingent consideration	-	1,027,794	-	1,027,794
<b>Total liabilities</b>	<b>471,683</b>	<b>27,055,407</b>	<b>753,068</b>	<b>28,280,158</b>

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

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### 22 Segment reporting (continued)

#### Geographic information

Canada	March 31, 2021	December 31, 2020
	\$	\$
Tangible assets	175,326	199,279
Intangible assets	254,331	266,570
<b>United States</b>		
Notes receivable from franchisees	288,709	306,572
Tangible assets	14,050,628	15,015,740
Intangible assets	16,237,532	17,057,626
Goodwill	19,547,011	19,747,975
<b>Total</b>		
Notes receivable from franchisees	288,709	306,572
Tangible assets	14,225,954	15,215,019
Intangible assets	16,491,863	17,324,196
Goodwill	19,547,011	19,747,975

#### Revenue

All revenues were attributed to the United States.

# RediShred Capital Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

(expressed in Canadian dollars)

### 22 Segment reporting (continued)

#### Net income (loss) by operating segment

Total net income (loss) by reportable operating segment is as follows:

	For the three months ended March 31, 2021			
	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
Revenue	508,602	6,804,886	–	7,313,488
Direct costs	–	(4,401,972)	–	(4,401,972)
General and administrative	(274,861)	(456,226)	(126,403)	(857,490)
Depreciation – tangible assets	–	(1,008,245)	(25,023)	(1,033,268)
Operating income (loss)	233,741	938,443	(151,426)	1,020,756
Other income	–	1,291,682	28,453	1,320,135
Amortization – intangible assets	(14,712)	(614,655)	(12,425)	(641,792)
Foreign exchange loss	–	–	(508,771)	(508,771)
Interest expense	–	(252,543)	–	(252,543)
Interest income	2,745	–	890	3,635
Income tax (expense) recovery	(27,278)	(3,272)	45,210	14,660
Net income (loss)	194,495	1,359,657	(598,069)	956,082

	For the three months ended March 31, 2020			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	590,292	6,003,287	–	6,593,579
Direct costs	–	(4,220,345)	–	(4,220,345)
General and administrative	(396,527)	(300,006)	(317,377)	(1,013,910)
Depreciation – tangible assets	–	(820,002)	(24,677)	(844,679)
Operating income (loss)	193,765	662,934	(342,054)	514,645
Amortization – intangible assets	(1,320)	(502,141)	(9,876)	(513,337)
Foreign exchange gain	–	–	3,629,543	3,629,543
Transaction recovery	–	187,337	–	187,337
Interest expense	–	(195,115)	–	(195,115)
Interest income	–	–	34,115	34,115
Income tax expense	–	(42,794)	–	(42,794)
Net income	192,445	110,221	3,311,728	3,614,394

# **RediShred Capital Corp.**

## Notes to the Condensed Interim Consolidated Financial Statements

**March 31, 2021**

(expressed in Canadian dollars)

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### **23 Related party balances and transactions**

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of \$13,940 due from this franchise as at March 31, 2021 (December 31, 2020 - \$22,775). During the three months ended March 31, 2021, the Company earned royalties, franchise and service fees of \$44,248 (March 31, 2020 - \$46,724) from this franchise.

### **24 Subsequent Events**

On May 1, 2021, the Company completed the acquisition of the Proshred Richmond business from its franchisee. The acquired location earned a total of USD\$1.0 million in revenue for the year 2019 and currently operates a total of 4 trucks. The Company paid a total of USD\$1.68 million of which USD\$1.075 million was paid on closing using the Company's cash reserves. The remaining USD\$605,000 is payable in the form of contingent consideration over a two and three-year period.