Management's Discussion and Analysis

December 31, 2021

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Business Overview

Redishred Capital Corp. ("Redishred" or the "Company") 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 of December 31, 2021 and the date of this MD&A, the Company operates 14 corporate locations directly, three of which operate our Proscan branded imaging and scanning operations and one of which operates an electronic waste services business under the Secure e-Cycle brand. In 2021, the Proshred system achieved USD$51 million in System Sales (USD$25 million from franchised/licensed locations and USD$26 million from the corporately owned locations).

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

1. Expand the location footprint in the U.S. by way of franchising and accretive acquisitions.

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

3. Drive depth of service and earnings in existing locations by acquiring smaller "tuck-in" acquisitions that are accretive.

About Redishred

Redishred's **purpose**, **vision** and **values** are the foundation on which the Company operates.

Purpose

The Company provides secure information destruction services and is both ISO 9001 and NAID AAA certified.

Vision

The Company's vision is to provide easy, durable and environmentally sustainable solutions for our customers, recognizing the responsibility and impact we have on the communities we serve and the environment.

In the fourth quarter of 2021, we saved ~ 190,000 trees through our paper recycling services.

We also strive to optimize the routes we use in providing shredding services to our clients and maintain our shredding vehicles in optimal condition to reduce our carbon footprint. As we look into the future, we will look to operate newer and more fuel-efficient vehicles and we are also exploring the use of shredding vehicles that run on alternative energy sources.

Values

Operating with integrity, being open and transparent in our communications, creating awareness, holding ourselves accountable, respecting others, and growing, financially and as a business organization, represent our core values.

These core values extend beyond just providing and delivering our core services to customers. We are also involved in our communities and create awareness of issues that impact many. For example, we partner with the American Institute for Cancer Research, annually hosting Nationwide Shred Cancer Events. To date, we have raised over $150,000 to support cancer research through our shred events.

Goals

Through our purpose, vision and values, our goals are to make it easy for our clients to use our services, stay relevant, and empower people. We invest in technology to stay at the forefront of the latest developments in our industry and empower our people to provide the best services to customers. Without our people, this delivery of services to our customers is not possible. The Company has a diverse workforce, both at the customer-facing to the most senior management positions as we believe that the best service is provided by a diverse and enabled team.

Basis for Presentation

The following management's discussion and analysis has been prepared by management and focuses on key statistics from the consolidated audited financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining all pertinent information, this MD&A should be read in conjunction with material contained in the Company's consolidated audited financial statements for the years ended December 31, 2021 and 2020, 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, are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at April 20, 2022.

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. 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 economies, 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. the number and size of acquisitions;

g. the ability to realize efficiencies from acquired operations; and

h. the exchange rate fluctuations between the U.S. 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) anticipated recycling revenues which may be impacted by commodity paper prices, which may be influenced by 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 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. Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

There are measures included in this MD&A that do not have a standardized meaning under 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 sales 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 revenue.

- **Shredding System Sales** are sales generated from customers with regular recurring service referred to as scheduled sales and sales generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding system sales do not include recycling sales, electronic waste sales and scanning sales. Shredding system sales include sales 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 both the current period and the comparative period.

- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization. Consolidated EBITDA also excludes government assistance, re-measurements of contingent consideration, foreign exchange gains and losses, and gains and losses on debt modifications. A reconciliation between net income and consolidated EBITDA is included on page 30.

- **Consolidated Operating Income** is defined as revenues less all operating expenses, including depreciation on 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 30.

- **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 30.

- **Corporate Location EBITDA** is defined as earnings for corporately operated locations before interest, taxes, depreciation and amortization and also excludes items identified under the definition of Consolidated EBITDA above.

- **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 and interest expense.

- **Corporate Location Operating Income less Recycling** is the corporate location operating income excluding corporate location recycling sales.

- **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.

- **Constant currency** is a measure of growth before foreign currency translation impacts. It is defined as the current period results in CAD currency using the foreign exchange rate in the equivalent prior year period. This allows for period over period comparisons of business performance excluding the impact of currency fluctuations.

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 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, after factoring in depreciation on tangible assets.

5. Corporate location operating income less recycling revenue growth – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices.

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

6. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by lenders, this measure considers the Company's ability to pay both interest and principal on outstanding debt, and is calculated as defined in the Company's credit facility agreement with one of its lenders. Consistent with the definition thereunder, 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. This ratio is calculated as defined in the Company's credit facility agreement with one of its lenders and consistent with the definition thereunder, 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.

Business locations

The Company's U.S. franchise locations are as follows:

Number	Franchised Location	Markets Serviced	Operating Since
1.	Tampa Bay, FL	Tampa Bay, Clearwater, St. Petersburg, Sarasota, Lakeland and Orlando	March 2004
2.	Denver, CO	Greater Denver area	August 2004
3.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006
4.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
5.	Baltimore, MD	Baltimore and Washington, DC	November 2007
6.	Orange County, CA	Orange County	September 2009
7.	San Diego, CA	San Diego	October 2010
8.	Indianapolis, IN	Greater Indianapolis area	June 2011
9.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
10.	Dallas, TX	Dallas and Fort Worth	March 2012
11.	Houston, TX	Greater Houston area	November 2012
12.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
13.	Seattle, WA	Seattle and Tacoma	October 2013
14.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
15.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
16.	St. Louis, MO	Greater St. Louis area	August 2016

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

The Company's U.S. corporate locations are as follows:

Number	Corporate Location	Markets Serviced	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004 Corporately since May 2010
		Buffalo and Rochester	October 2017
		Watertown	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003 Corporately since July 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Staten Island and Long Island	January 2008 Corporately since January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003 Corporately since January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008 Corporately since January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006 Corporately since July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008 Corporately since April 2017
8.	North New Jersey, NJ	Bergen, Essex, Morris, Passaic, Union, Middlesex, Sussex, Warren and Somerset County and Newark	June 2005 (as Safe Shredding) Corporately since October 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006 Corporately since February 2019
10.	Chicago, IL	Greater Chicagoland area	April 2007 Corporately since October 2019
11.	New Haven, CT	State of Connecticut and Rhode Island	April 2007, Corporately since March 2020
12.	Springfield, MA	Western Massachusetts including western Boston suburbs	June 2003 Corporately since December 31, 2020
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013. Corporately since May 1, 2021
14.	Atlanta, GA	Greater Atlanta area	January 2012 Corporately since July 30, 2021

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

Financial and Operational Highlights

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

		Three months ended December 31,			Year ended December 31,		
	KPI	**2021**	2020	*Change[(a)]*	**2021**	2020	*Change[(a)]*
System Sales Performance – in USD							
Total locations in the United States		**30**	30	*0%*	**30**	30	*0%*
Total system sales	(1)	**$14,150**	$10,006	*41%*	**$51,193**	$40,398	*27%*
% scheduled sales		***47%***	*53%*		***51%***	*51%*	
Consolidated Operating Performance							
Revenue		**$10,424**	$6,144	*70%*	**$36,199**	$25,437	*42%*
EBITDA[(c)]	(2)	**$1,658**	$1,148	*44%*	**$9,191**	$5,939	*55%*
EBITDA margin		***16%***	*19%*	*(300) bps*	***25%***	*23%*	*200 bps*
Operating income[(c)]	(3)	**$412**	$212	*94%*	**$4,687**	$2,238	*110%*
Operating income margin		***4%***	*3%*	*100 bps*	***13%***	*9%*	*400 bps*
Operating income per weighted average share fully diluted	(8)	**$0.005**	$0.003	*88%*	**$0.059**	$0.028	*109%*
Government assistance not included in above[(b)]		**–**	$153	*(100)%*	**$1,348**	$1,909	*(29)%*
Corporate Location Performance							
Revenue		**$9,946**	$5,572	*78%*	**$34,201**	$23,202	*47%*
EBITDA[(c)]		**$3,003**	$1,528	*97%*	**$12,362**	$7,159	*73%*
EBITDA margin		***30%***	*27%*	*300 bps*	***36%***	*31%*	*500 bps*
Operating income[(c)]	(4)	**$1,780**	$634	*181%*	**$7,949**	$3,572	*123%*
Operating income margin		***18%***	*11%*	*700 bps*	***23%***	*15%*	*800 bps*
Operating income less recycling[(c)]	(5)	**$220**	$203	*7%*	**$3,531**	$1,097	*222%*

Capital Management

As of December 31,	**KPI**	**2021**	2020	*Change[(a)]*
Working capital[(d)]		**$3,977**	**$(2,548)**	*256%*
Debt to total assets ratio		**0.49**	**0.48**	*2%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	**1.57**	**1.19**	*32%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	**2.39**	**2.95**	*19%*

a) Change expressed as a percentage or basis point ("bp"), as applicable.
b) During Q1-2021, the Company qualified for the second round of the United States Paycheck Protection Program ("PPP") forgivable loans which was made available to eligible US businesses that have been affected by the COVID-19 pandemic. Subsequent to Q3 2021, the full amount received was forgiven. The Company also qualified for the Canadian Emergency Wage Subsidy ("CEWS") in Canada.
c) During the three months and year ended December 31, 2021, the Company incurred costs of $53 related to its COVID-19 vaccination incentive program to encourage its employees to get vaccinated. Please refer to the "COVID-19 Impact on Operations" in the MD&A for more information on this program.
d) Working Capital represents the excess of the Company's current assets over its current liabilities.

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

Summary of Q4 Results and Operations

Revenue Growth in Q4-2021

The Company achieved 70% total revenue growth and 75% total revenue growth in constant currency during Q4-2021 versus Q4-2020 primarily due to the following:

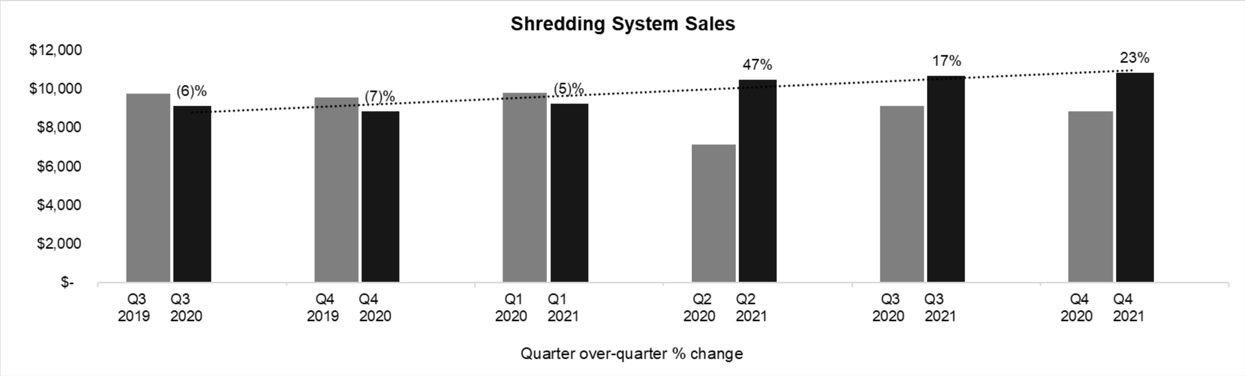
(1) the acquisitions conducted during the last 12 months;
(2) the organic sales growth due to:
   a. the recovery of the economy and the easing of COVID-19 restrictions; and
   b. the addition of new client accounts.

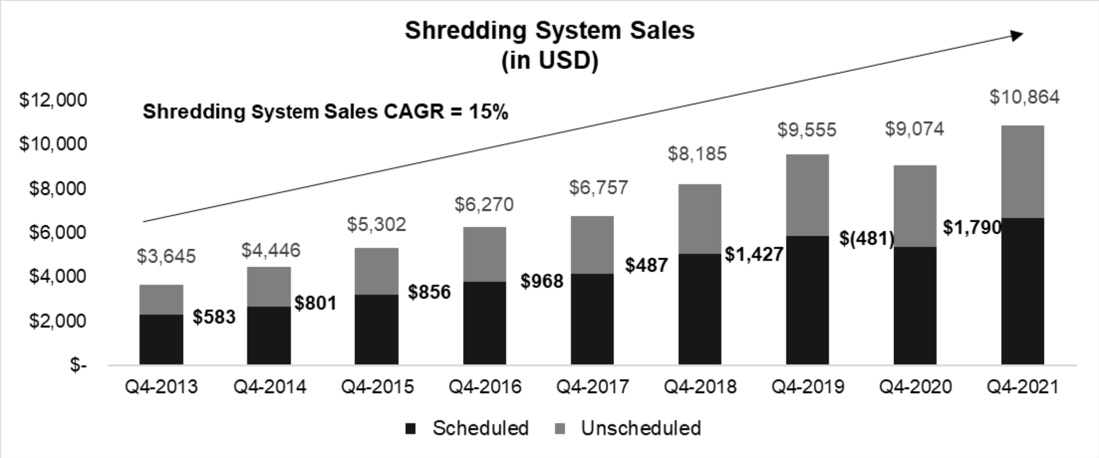
Q4-2021 System Sales Continued to Grow Past Pre-Pandemic Levels

Shredding system sales in Q4-2021 grew versus Q4-2020 and Q4-2019 as an increasing number of businesses have returned to their offices and facilities and have resumed or increased their shredding services.

The growth in sales is as follows:

For the three months ended December 31,	2021 vs. 2020	2021 vs. 2019
Scheduled system sales	25%	14%
Unscheduled system sales	20%	13%
Shredding system sales	23%	14%

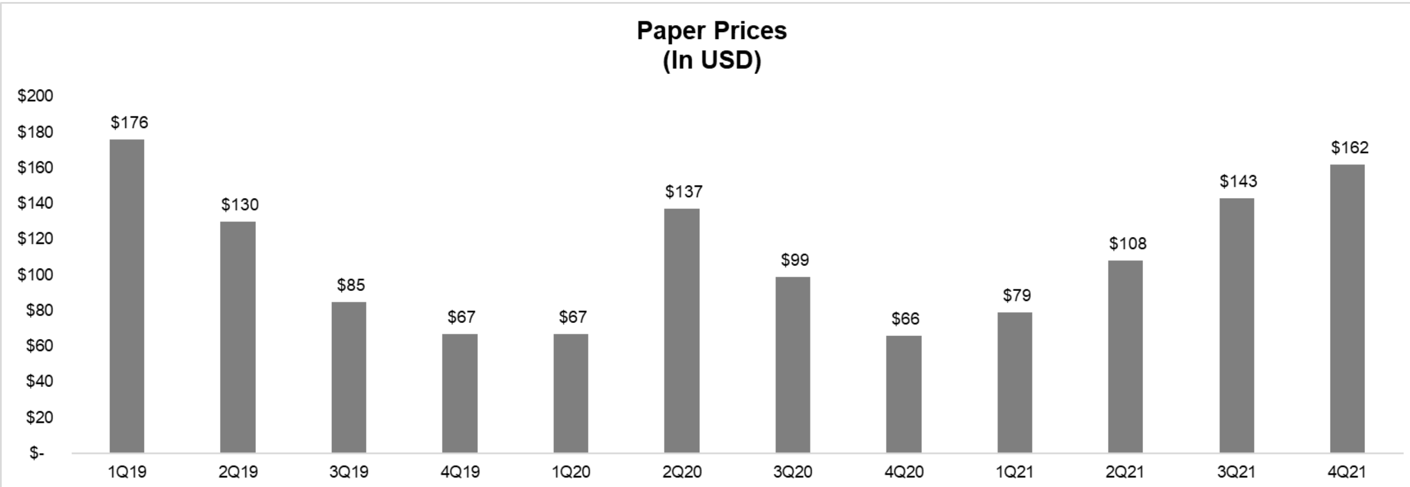




Note: The figures in black above refer to the year over year growth in total shredding system sales. Compound Annual Growth Rate ("CAGR") refers to the growth rate of revenue, EBITDA or cash if it had grown at the same rate every year. CAGR is the average annual growth rate over a period of time.

Recycling system sales grew by 177% in Q4-2021 versus Q4-2020 as paper tonnage increased by 10% and the average paper price in the Proshred system increased by 145% over this period.

The average paper prices in the Proshred system in US dollars for the last twelve quarters is as follows:

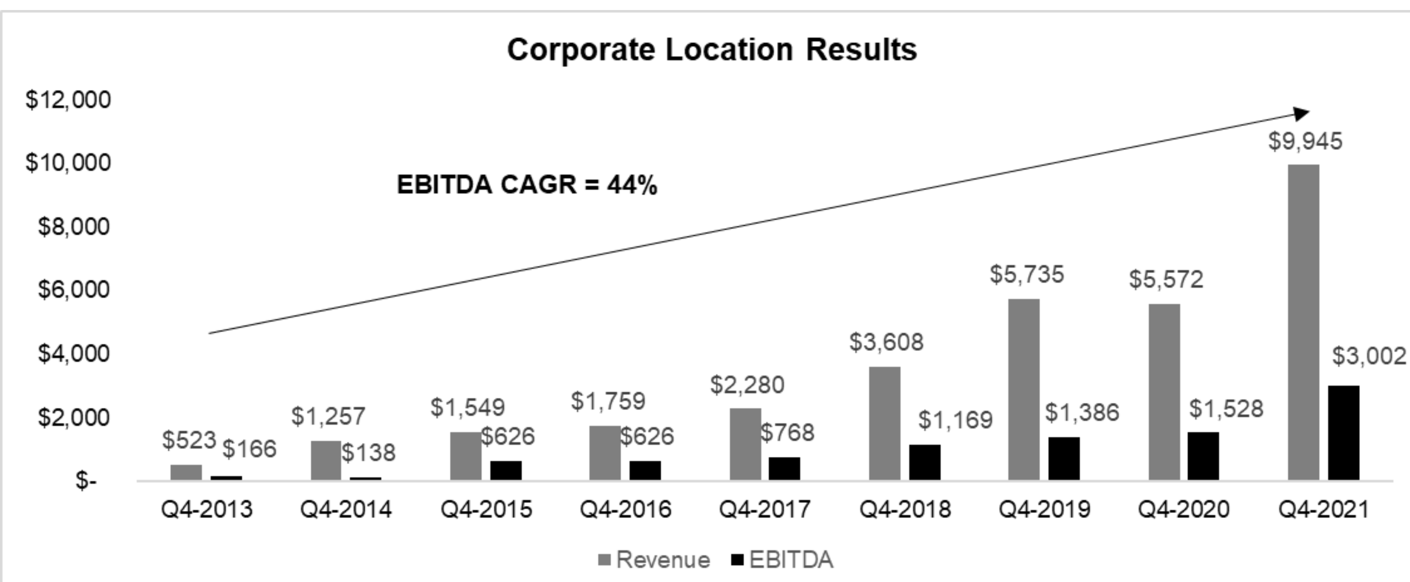


Strong Same Corporate Location EBITDA Growth

The Company achieved 40% growth in same corporate location EBITDA and a 300bps improvement in EBITDA margin. Constant currency EBITDA growth was 44% during the quarter. The EBITDA growth was driven by the following factors:

(1) new scheduled shredding service clients were added though the quarter; and
(2) continued demand for unscheduled shredding services as our clients reopened their offices; and
(3) increased paper tonnage and prices.

Furthermore, the Company continued to manage operations efficiently, enhancing route density, and migrating administration and some management to a regional model.



Continued Corporate Footprint Growth from Acquisitions

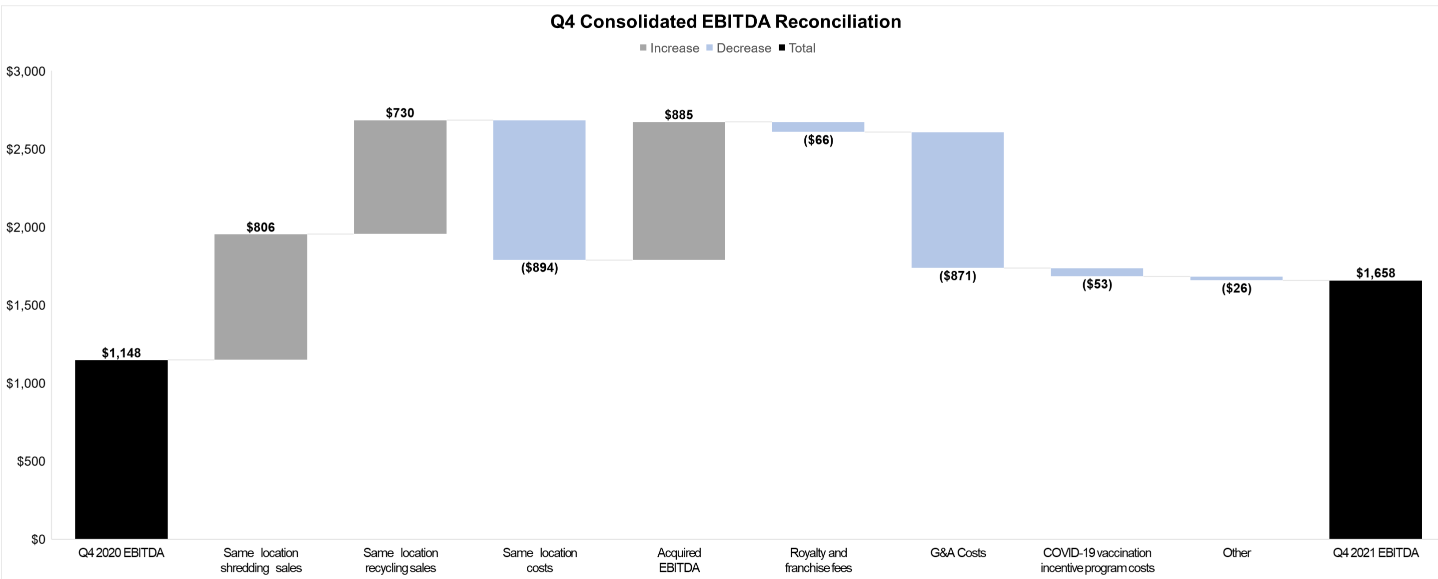
The Company completed the acquisition of American Security Shredding Corp. ("American Shredding") on December 1, 2021. American Shredding offers paper and hard drive shredding, product destruction, and electronic waste recycling services, and serves primarily the large metropolitan New York and New Jersey markets. The acquisitions that the Company has conducted during the last 12 months, including the acquisitions of the Massachusetts, Richmond and Atlanta franchises, and the American Shredding business, have been accretive to the Company's EBITDA and cash flows for 2021.

Strong Consolidated EBITDA Growth

The Company achieved 44% growth in consolidated EBITDA in Q4-2021 when compared to Q4-2020 driven by:

(1) Acquired EBITDA from the acquisitions completed over the last 12 months; and

(2) Same corporate location EBITDA growth as noted previously.



The Company's consolidated EBITDA grew $510 in Q4-2021 versus Q4-2020.

COVID-19 Impact on Operations

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 economies due to the temporary closure of businesses. These closures have had a direct impact on many of our 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.

Since the onset of the global pandemic, the Company has implemented measures to protect the health and well-being of its workforce and customers. The Company has continued to maintain operations in all markets since the beginning of the pandemic to date.

During the fourth quarter of 2021, the Company implemented a vaccination incentive program that rewarded all U.S. based employees for obtaining full vaccination status. The cost of this program was $53. The aim of this program was to ensure that the Company has a work environment that is safe for all employees and respects the vaccination rules and the safety of the tens of thousands of clients we service.

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

Impact of the Omicron Variant of the COVID-19 virus

Additionally, during the month of December 2021, the highly contagious Omicron variant of the COVID-19 virus spread rapidly through out the Proshred system, causing route disruptions as a significant proportion of our client service professionals ("CSP" or "Drivers") contracted Omicron. In order to service as many clients as possible, the Company incurred additional CSP costs, in particular overtime wages. A material number of client service calls were also delayed to January and February 2022.

Strategic Targets

1. Growth of Same Location Shredding System Sales[(1)]:	
2021 Target	Same location shredding system sales growth of 5% to USD$38M, subject to COVID-19 related restrictions being lifted by Q2-2021.
2021 Performance	***The target was exceeded.*** Same location shredding system sales grew by 17% to USD$41M, as the majority of offices and facilities have re-opened and clients have resumed shredding services.
2022 Target	Same location shredding system sales growth of 10% to USD$45M.
Longer-term target	Growth averaging over 8% per year.
2. Growth in Same Location EBITDA and Operating Income[(1)]:	
2021 Target	Growth of 10% in same location EBITDA to $7.9M and growth of 22% in same location operating income to $4.4M, subject to COVID-19 related restrictions being lifted by Q2-2021.
2021 Performance	***The target was exceeded.*** Same location EBITDA grew 28% to $9.2M, and same location operating income grew 66% to $6.0M.
2022 Target	Growth of 8% in same location EBITDA to $13.4M and growth of 11% in same location operating income to $8.8M.
Longer-term target	Same location EBITDA and Operating Income growth of 10% per year. The Company will revisit this longer-term target, if the inflationary environment in the U.S. continues to persist, and the Company's CSP wages and fuel costs are impacted.
3. EBITDA and Operating Income from acquired operations[(1)]:	
2021 Target	EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.
2021 Performance	***The target was exceeded***. The EBITDA and operating income margins from acquired operations were 40% and 25%, respectively.
2022 Target	EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.
Longer-term target	Maintain EBITDA and operating income margins of at least 30% and 20% respectively.

4. Franchise Development:	
2021 Target	Open one new market in the United States by way of franchising.
2021 Performance	***The target was not met.*** The Company did not award any new franchise locations during 2021. Redishred is pursuing franchise opportunities in available markets.
2022 Target	The Company will drive footprint growth primarily by way of accretive acquisitions (please refer to the fifth strategic target below).

5. Expand by way of Accretive Acquisitions:	
2021 Target	Add USD$3M to USD$4M in revenue by way of accretive acquisitions.
2021 Performance	***The target was exceeded.*** The Company has added approximately USD$6.3M in revenue, based on prior year 2020 results, by way of accretive acquisitions. On May 1, 2021, the Company closed on the acquisition of the Proshred Richmond, Virginia business, which generated USD$0.9 million in revenue in 2020. On July 30, 2021, the Company closed on the acquisition of the Proshred Atlanta business, which generated USD$1.3 million in revenue in 2020. Lastly, on December 1, 2021 the Company closed on the acquisition of American Shredding, which generated USD$4.1 million in revenue in 2020.
2022 Target	Add USD$4M to USD$5M in revenue by way of accretive acquisitions.
Longer-term target	Add, in aggregate, USD$4M to USD$5M in revenue per year by way of acquisitions of both existing franchise locations, and independent shredding and scanning businesses.
6. Improve Operating Leverage(2):	
2021 Target	General and administrative ("G&A") costs at 13% of total revenue.
2021 Performance	***This target was met***. G&A costs were 13% of total revenue.
2022 Target	G&A costs at 12% of total revenue.
Longer-term target	G&A costs at 10% of total revenue.

(1) 2021 corporate location targets were subject to the U.S. economy re-opening, including businesses returning to offices, as well as an improvement in the number of COVID-19 cases and the distribution of COVID-19 vaccines.
(2) G&A costs as a percentage of revenue target does not include Growth Fund revenue and costs.

Outlook

Demand for Shredding Services Remains Strong

The Company continues to see an increase in marketing leads for both scheduled and unscheduled services. The Company's salesforce is converting an increased number of these marketing leads to sales which is expected to contribute to top-line growth. In addition, many larger clients in the large metropolitan downtown areas have continued to return to their offices and are resuming or have an increased need for shredding, destruction and scanning services.

The Company is also seeing an increase in interest in its scanning services and in February 2022, the Company won its largest scanning project to date. The Company will continue to leverage marketing efforts to tap into this market, as more businesses look to securely and conveniently digitize their physical paper documents.

Recycling Revenue

The following outlines the Q1-2022 average paper price estimated based on January to March 2022 paper pricing:

	Q4-2021	**Q1-2022 Estimate**	*% Change*
Average price (in USD)	$162	$182	*12%*

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

Future Growth Opportunities through Accretive Acquisitions

Development by way of acquisitions remains an important component of Redishred's long-term growth strategy. The Company is in discussions with acquisition targets and is actively seeking 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. The Company plans to finance its acquisitions conducted through a combination of bank and equity financing and contingent consideration payable in cash.

In November 2021, the Company filed a short form base shelf prospectus (the "Shelf Prospectus") that allows the Company to issue common shares, preferred shares, debt securities, warrants, subscription receipts and units, or a combination thereof, from time to time, separately or together, for an aggregate offering amount of up to $25 million during the 25-month period that the Shelf Prospectus is effective.

In December 2021, the Company completed a public offering (the "Public Offering") of 9,803,750 common shares of the Company (the "Common Shares") at a price of $0.88 per common share for total gross proceeds of $8,627 and net proceeds of $7,768, net of transaction costs of $859.

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 (i.e. metals and plastics), (3) the resale of certain electronics collected from customers and (4) providing digital imaging, scanning and related workflow management services to their customers. The shredding and recycling sales are the key driver of royalty and service fee revenue. Total system sales are broken into five categories, scheduled sales, unscheduled sales, recycling sales, electronic waste sales and scanning sales. As American Shredding was acquired on December 1, 2021, American Shredding sales are not included in the calculation of same location system sales.

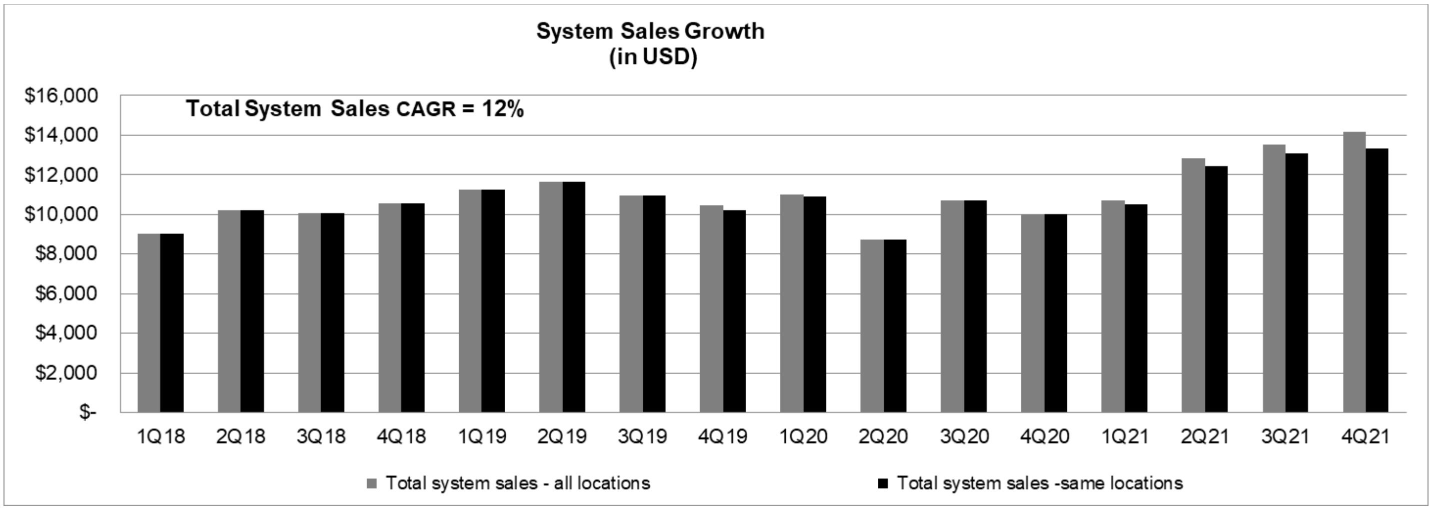
System sales are denominated and reported in USD during the reported periods as follows:

	Three months ended December 31,			**For the year ended December 31,**		
	2021	2020	*%Change*	**2021**	2020	*%Change*
Total U.S. operation locations at period end	**30**	30	*0%*	**30**	30	*0%*
Total system sales (USD)	**$14,150**	$10,006	*41%*	**$51,193**	$40,398	*27%*
Total same location system sales (USD)	**$13,320**	$10,006	*33%*	**$49,353**	$40,398	*22%*

Total same location system sales (USD) grew by 27% and 11%, during the three months and year ended December 31, 2021 versus the same comparative 2019 period (pre-Covid), respectively.

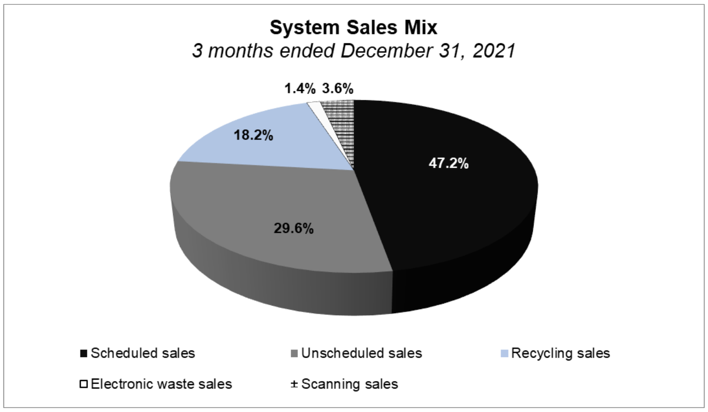
System Sales Trend:

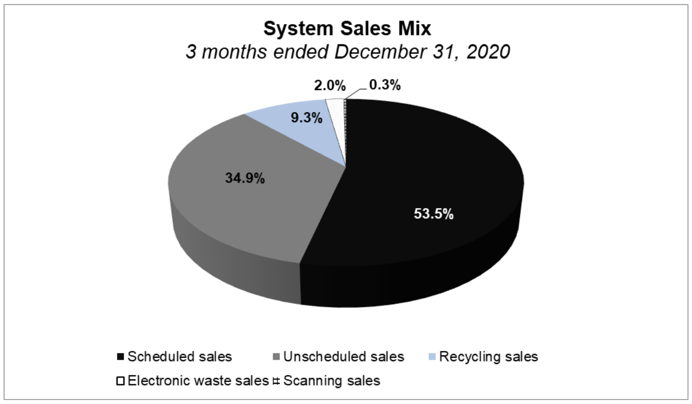
The following chart illustrates system sales growth in USD by quarter since the first quarter of 2018.

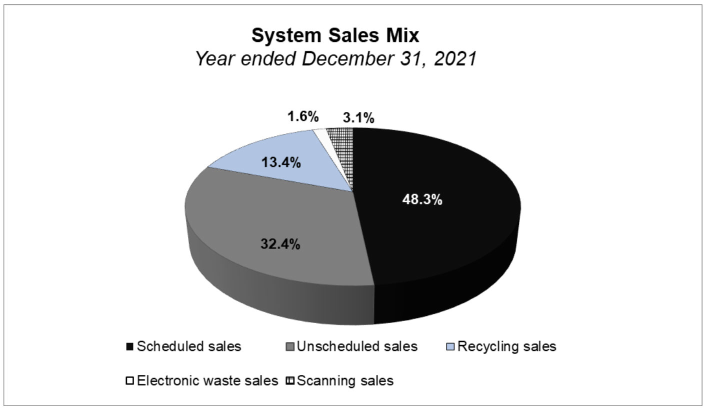


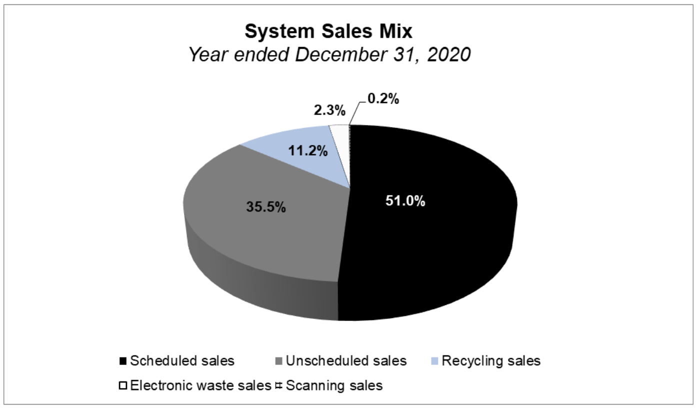
System Sales Breakdown:

The following charts illustrate the system sales mix for the three months and year ended December 31, 2021 and 2020:



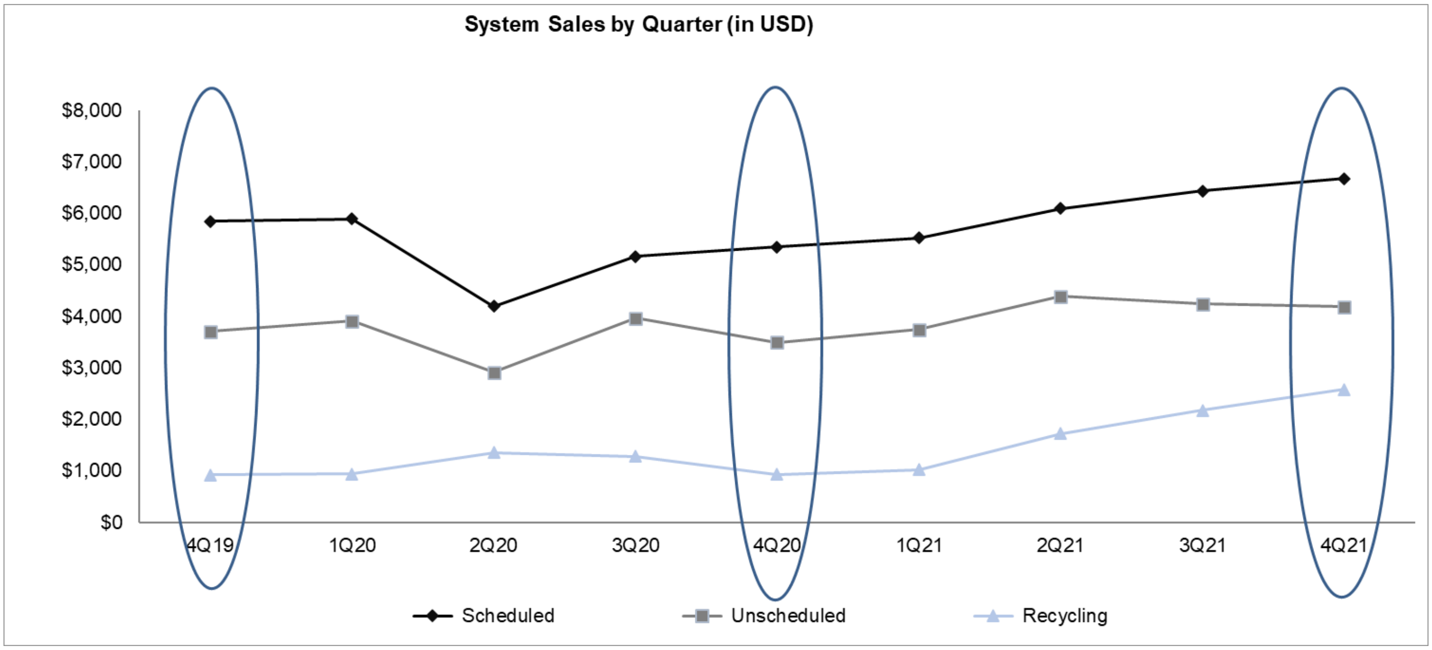






Dollar amounts in thousands of Canadian dollars (except as noted)

System sales by quarter for scheduled sales, unscheduled sales and recycling sales is as follows:

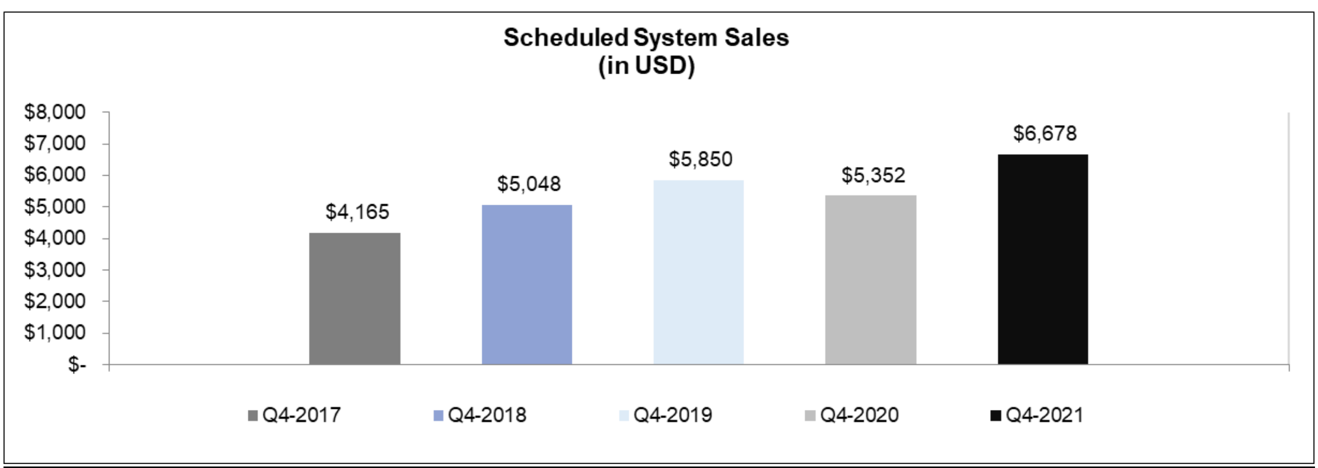


Scheduled system sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. In Q4-2021, scheduled sales grew 25% over Q4-2020 and reached a record high of USD$6.7 million. Scheduled sales grew 14% in Q4-2021 when compared to Q4-2019 (pre-Covid).

Scheduled system sales accounted for 47% of total service system sales in Q4-2021 (54% - Q4-2020).

	For the three months ended December 31,			**For the year ended December 31,**		
	2021	2020	*% Change*	**2021**	2020	*% Change*
Scheduled system sales (USD)	**$6,678**	$5,352	*25%*	**$24,731**	$20,604	*20%*
Same location scheduled system sales (USD)	**$6,486**	$5,352	*21%*	**$24,539**	$20,604	*19%*

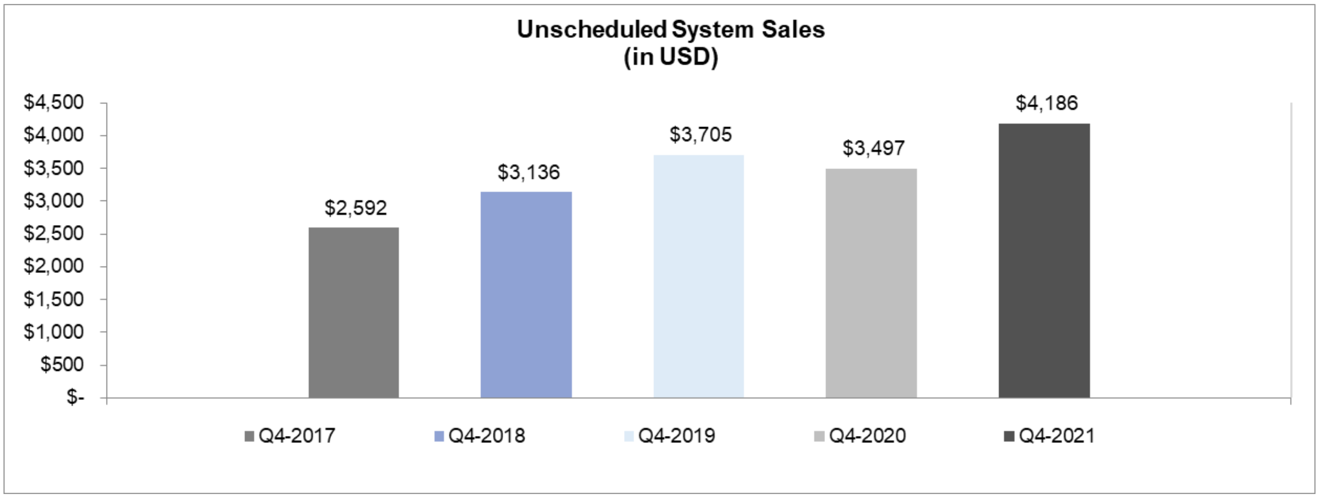


Dollar amounts in thousands of Canadian dollars (except as noted)

Unscheduled system sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time 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. In Q4-2021, unscheduled sales were $4.2 million growing 20% as compared to Q4-2020 and 13% compared to Q4-2019 (pre-Covid).

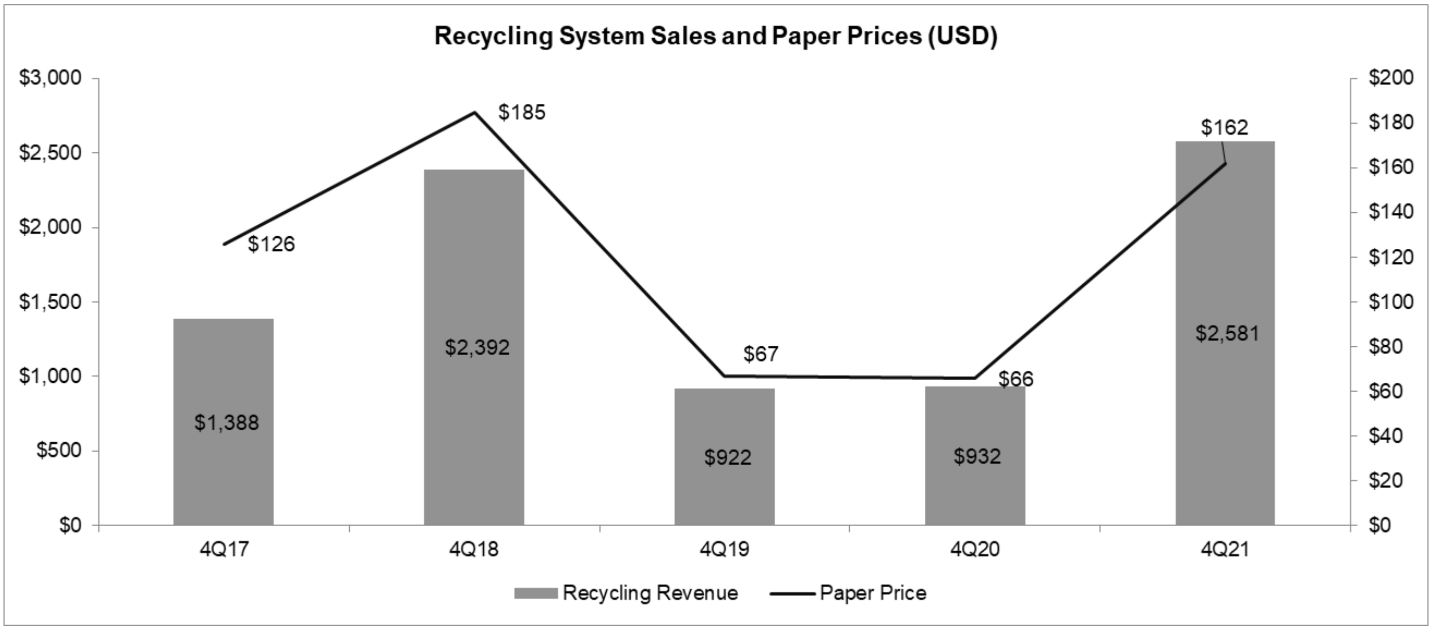
	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
Unscheduled system sales (USD)	**$4,186**	$3,497	*20%*	**$16,559**	$14,299	*16%*
Same location unscheduled system sales (USD)	**$4,064**	$3,497	*16%*	**$16,438**	$14,299	*15%*



Recycling sales:

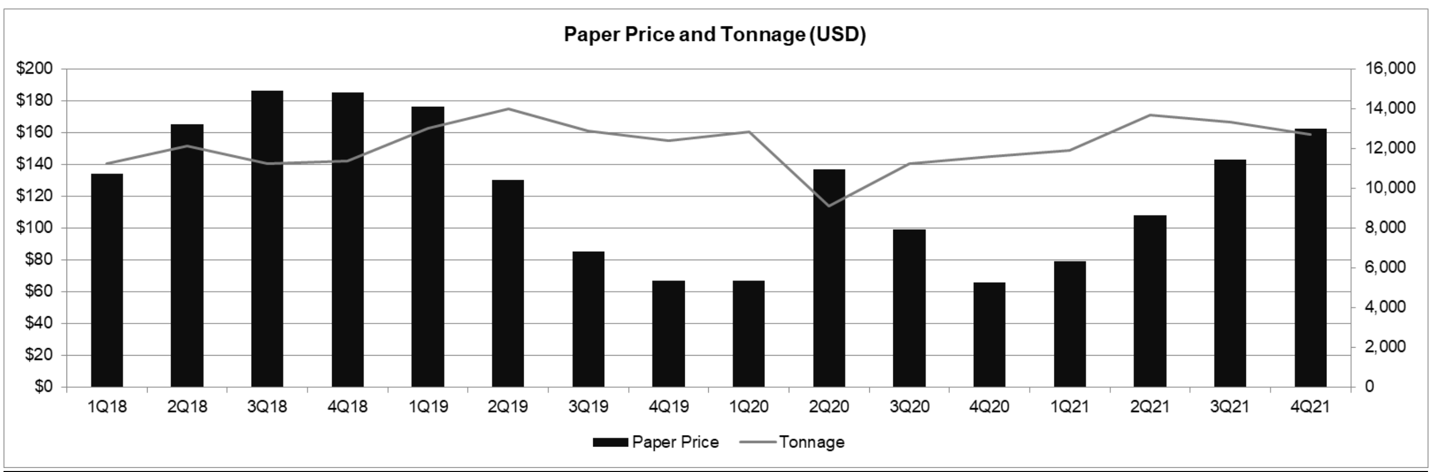
Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper, and the volume of paper recycled, which is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

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
Recycling system sales (USD)	**$2,581**	$932	*177%*	**$7,511**	$4,513	*66%*
Same location recycling system sales (USD)	**$2,475**	$932	*165%*	**$7,405**	$4,513	*64%*
Tonnage processed (units)	**12,688**	11,580	*10%*	**51,639**	45,636	*13%*
Average paper price per ton	**162**	66	*145%*	**121**	92	*32%*



Paper Pricing Trends:

During Q4-2021, the average paper price in the Proshred system increased by 13% in comparison to Q3-2021 to $162 per ton. The average paper price in the Proshred system in Q4-2021 was 145% higher than in Q4-2020.

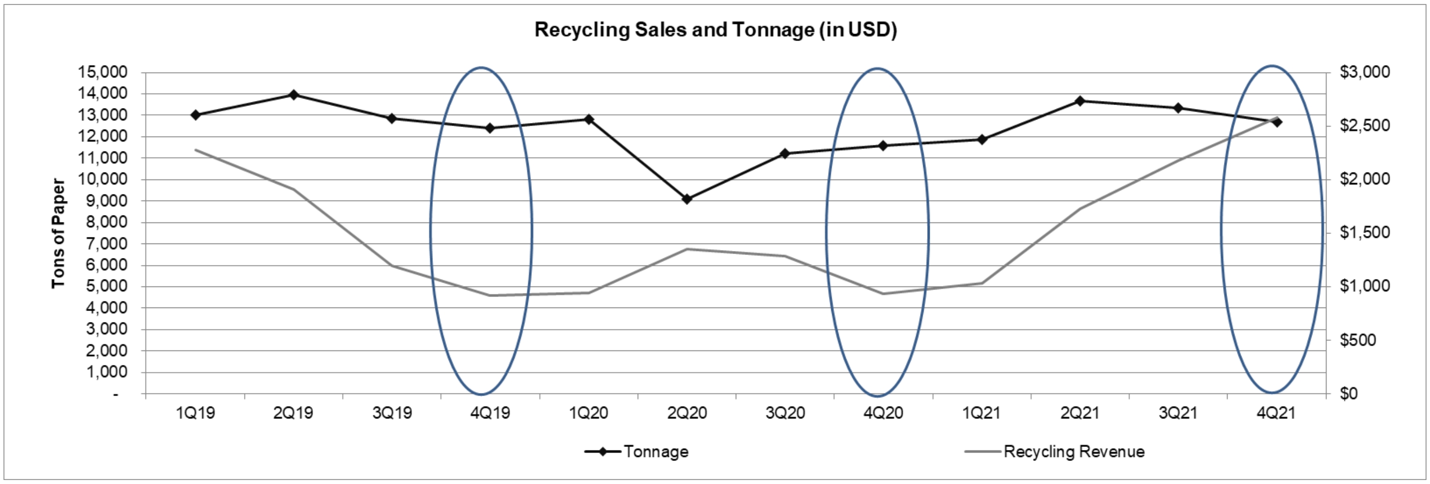


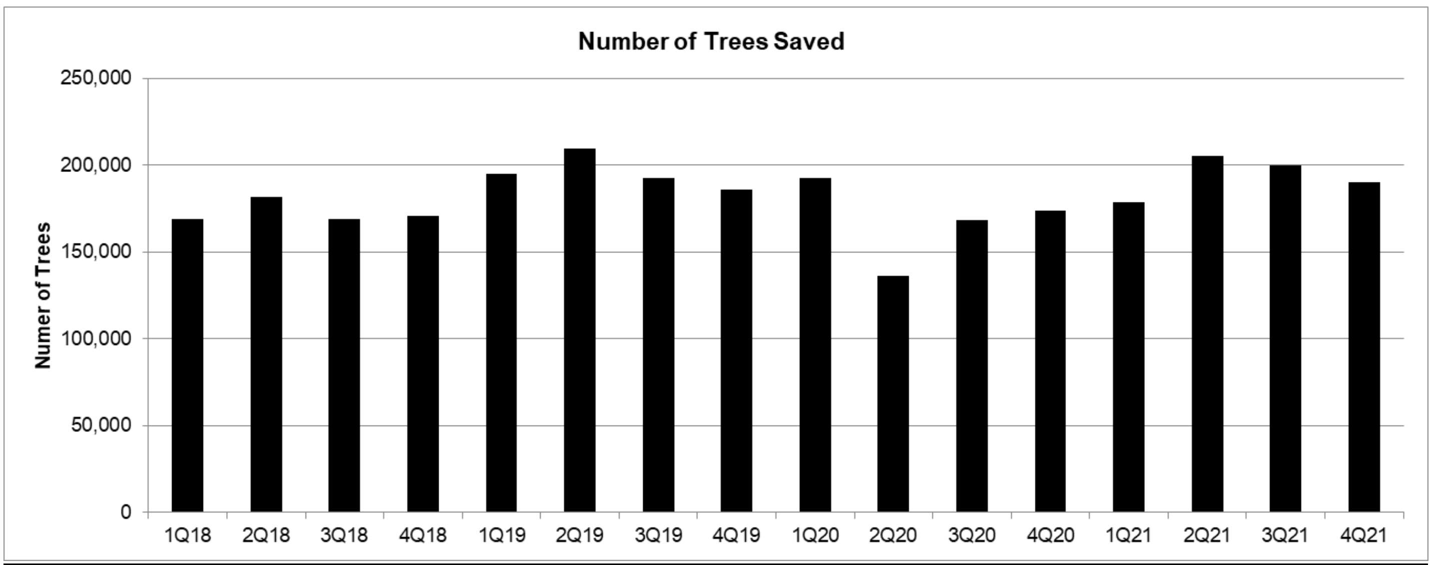
Historical Volume of Paper:

During Q4-2021, the system shred and recycled 10% more paper than in Q4-2020 as the Proshred system recovered from the negative impacts of COVID-19 experienced in Q4-2020. The Proshred system shred and recycled 12,688 tons of paper during Q4-2021 (11,580 – during Q4-2020), which equates to 190,322 trees being saved (174,000 – during Q4-2020). (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.

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





<u>Electronic waste sales:</u>

Electronic waste sales are defined as the revenue generated from disposal services of client's electronic waste and/or products and by way of resale of certain electronics collected from clients. The Company currently provides electronic waste services primarily in its Kansas City market. Electronic waste sales were negatively impacted by the COVID-19 pandemic and have fully rebounded in Q4-21, being within 1% of Q4-2020 sales. Many clients had not been replacing their electronics, as supply for new electronics and their components has been low, and prices have increased as a result. As larger clients continue to return to the office and supply chain issues ease, the Company expects an increase in equipment disposals and a shift back to higher dollar equipment processing such as laptops.

	For the three months ended December 31,			**For the year ended December 31,**		
	2021	2020	*% Change*	**2021**	2020	*% Change*
Electronic waste sales (USD)	**199**	200	*(1)%*	**801**	937	*(14)%*

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

Scanning sales:

Scanning sales are defined as the revenue generated from customers who have documents requiring scanning and indexing in order to digitize their files and store electronically. On December 31, 2020, the Company acquired the Proscan Massachusetts business from its franchisee. The Company currently provides scanning services in its Massachusetts, Charlotte and Richmond markets.

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
Scanning sales (USD)	**511**	26	*1865%*	**1,589**	61	*2502%*

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 US dollars, which are translated into Canadian dollars at the average exchange rate for the period.

During Q4-2021, royalty and services fees declined by 17% over Q4-2020. With the acquisition of the Springfield, Massachusetts franchise in Q4-2020, Richmond franchise in Q2-2021 and Atlanta location in Q3-2021, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from these locations. Royalty, license and service fees for same franchisee locations grew by 3% and 1% during three months and year ended December 31, 2021, respectively, compared to the same periods in 2020, as franchisee system sales recovered from the COVID 19 pandemic.

Royalties, license, and service fees

	Total Franchise Locations			Same Franchise Locations		
For the three months ended December 31,	**2021**	2020	*% Change*	**2021**	2020	*% Change*
Total number of franchisees operating at period end	**16**	19	*(16)%*	**16**	16	*0%*
In CAD:						
Royalty, license and service fees	**$426**	$496	*(14)%*	**$426**	$411	*4%*

	Total Franchise Locations			Same Franchise Locations		
For the twelve months ended December 31,	**2021**	2020	*% Change*	**2021**	2020	*% Change*
Total number of franchisees operating at period end	**16**	19	*(16)%*	**16**	16	*0%*
In CAD:						
Royalty, license and service fees	**$1,781**	$2,041	*(13)%*	**$1,781**	$1,764	*1%*

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

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 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 by 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 $188 as at December 31, 2021. The Growth Fund may incur losses 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 months and year ended December 31, 2021, the Growth Fund had net loss of $55 (three months ended December 31, 2020 - $2 net loss) and net loss of $166 (year ended December 31, 2020 - $11 net loss), respectively.

Corporate Location Results – For the three months ended December 31

As of December 31, 2021, the Company operated fourteen corporate locations. Refer to the "Business Locations" section of this MD&A for a list of the Company's locations. Same corporate location results include all locations except for the Massachusetts location that was acquired on December 31, 2020, the Richmond location that was acquired on May 1, 2021 and the Atlanta location that was acquired on July 30, 2021, and also excludes the results of American Shredding, which was acquired on December 1, 2021.

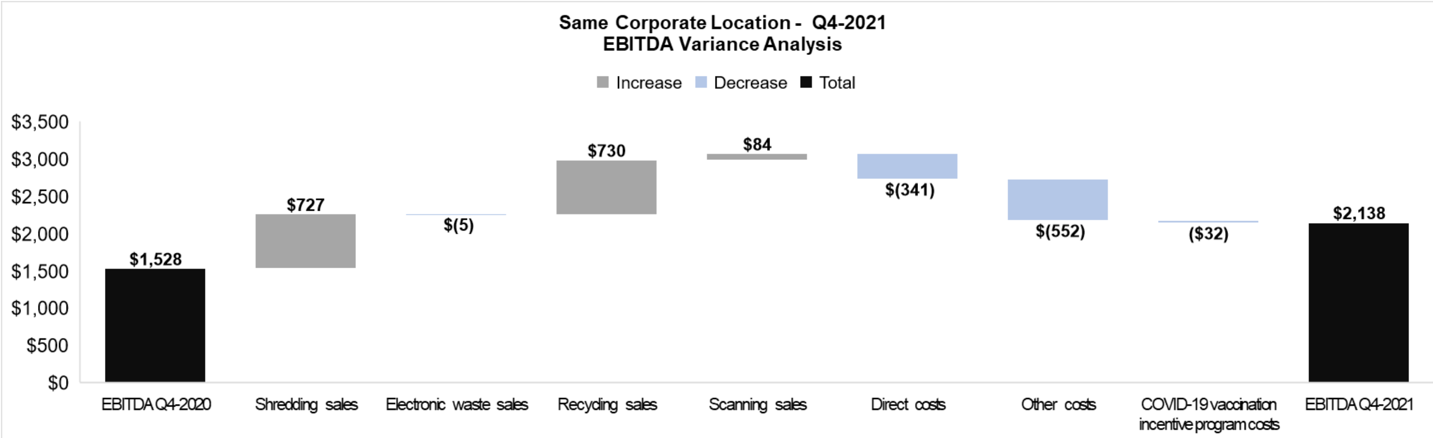
Total corporate location revenues and EBITDA grew by 78% and 96%, respectively, in Q4-2021 versus Q4-2020 due to the acquisitions conducted over the past twelve months and the organic growth from same locations. Total EBITDA margin improved by 300 basis points over this period to 30% in Q4-2021.

During Q4-2021, same corporate location shredding revenue grew 15% over Q4-2020, recovering well from the pandemic. The Company also continued to manage its same location direct and administrative costs resulting in same corporate location EBITDA growth of 40% compared to Q4-2020.

The corporate location results were negatively impacted by the US dollar depreciation versus the Canadian dollar during the year ended December 31, 2021 versus the same comparative period in 2020. The average exchange rate moved from 1.34 Canadian dollars to US dollars in 2020 to 1.25 in 2021. The table below shows the corporate locations growth in Canadian Dollars and in the constant currency (USD):

For the three months ended December 31, 2021	Year-over-year growth	Constant currency year-over-year growth
Same Corporate Locations:		
Total Sales	28%	32%
EBITDA	40%	44%
Operating Income	109%	113%
Total Corporate Locations:		
Total Sales	78%	86%
EBITDA	96%	103%
Operating Income	180%	188%

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



	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the 3 months ended December 31,	**2021**	2020	% Change	**2021**	2020	% Change	**2021**	2020
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**7,491**	4,851	54%	**5,578**	4,851	15%	**1,913**	-
Electronic waste sales	**251**	256	(2)%	**251**	256	(2)%	**-**	-
Scanning sales	**644**	34	1799%	**118**	34	247%	**526**	-
Recycling sales	**1,560**	431	262%	**1,161**	431	169%	**399**	-
Total sales	**9,946**	5,572	78%	**7,108**	5,572	28%	**2,838**	-
Operating costs (1),(2)	**6,943**	4,044	72%	**4,970**	4,044	23%	**1,973**	-
EBITDA	**3,003**	1,528	96%	**2,138**	1,528	40%	**865**	-
% of revenue	***30%***	*27%*	*300 bps*	***30%***	*27%*	*300 bps*	***30%***	-
Depreciation – tangible assets	**1,223**	894	37%	**810**	894	(9)%	**413**	-
Operating income	**1,780**	634	181%	**1,328**	634	110%	**452**	-
% of revenue	***18%***	*11%*	*700 bps*	***19%***	*11%*	*200 bps*	***16%***	-
Operating income less recycling	**220**	202	8%	**167**	202	(18)%	**53**	-
% of revenue excluding recycling	***3%***	*4%*	*(100) bps*	***3%***	*4%*	*(100) bps*	***2%***	
EBITDA – in USD	**2,380**	1,178	102%	**1,697**	1,178	44%	**683**	-
% of revenue	***30%***	*28%*	*200 bps*	***30%***	*28%*	*200 bps*	***31%***	

Note 1: During Q4-2021, acquisition/vendor-related consulting fees of $167 are included in the total and non-same corporate location operating costs.
Note 2: During Q4-2021, COVID-19 vaccination incentive program costs of $32 and $21 are included in same and non-same corporate location operating costs, respectively.

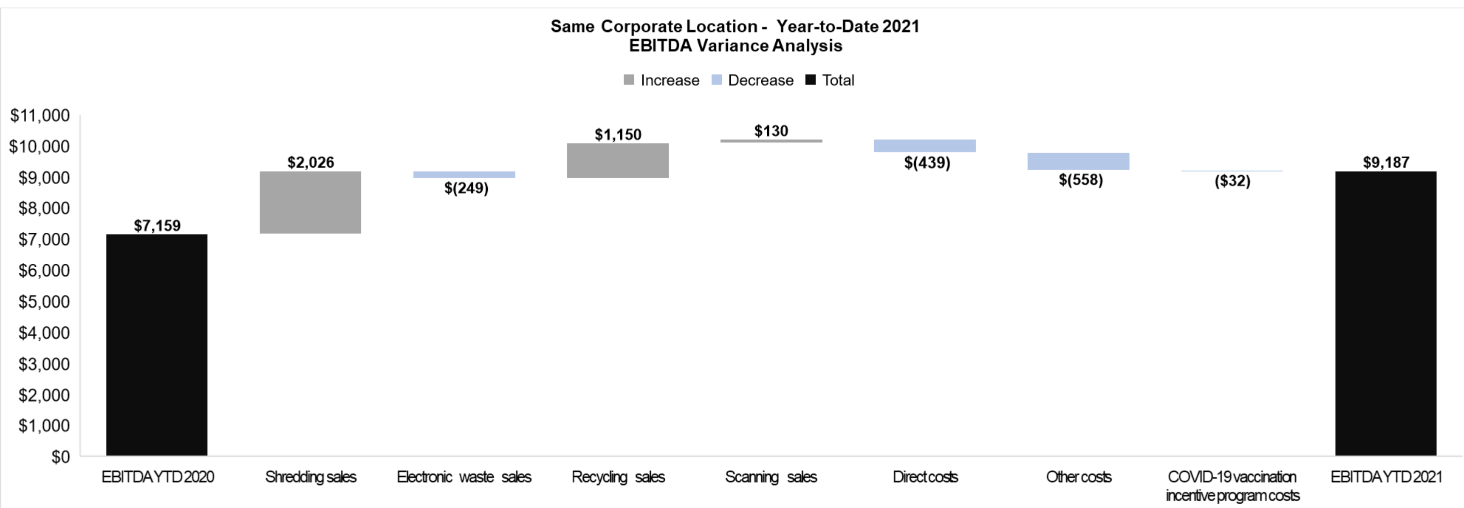
Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Location Results - For the year ended December 31

Same corporate location results include all locations except for Connecticut for the months of January and February 2021 as it was acquired on March 1, 2020, the Massachusetts location that was acquired on December 31, 2020, the Richmond location that was acquired on May 1, 2021 and the Atlanta location that was acquired on July 30, 2021, and also excludes the results of American Shredding, which was acquired on December 1, 2021.

Total corporate location revenues and EBITDA grew by 47% and 73%, respectively, during the year ended December 31, 2021, as compared to the same comparative period in 2020. The growth was due to the acquisitions conducted over the last 12 months and organic growth from same corporate locations. Total EBITDA margin improved by 500 basis points over this period to 36% in 2021.

For the year ended December 31, 2021	**Year-over-year growth**	**Constant currency year-over-year growth**
Same Corporate Locations:		
Total Sales	13%	21%
EBITDA	28%	37%
Operating Income	66%	78%
Total Corporate Locations:		
Total Sales	47%	58%
EBITDA	73%	85%
Operating Income	122%	138%



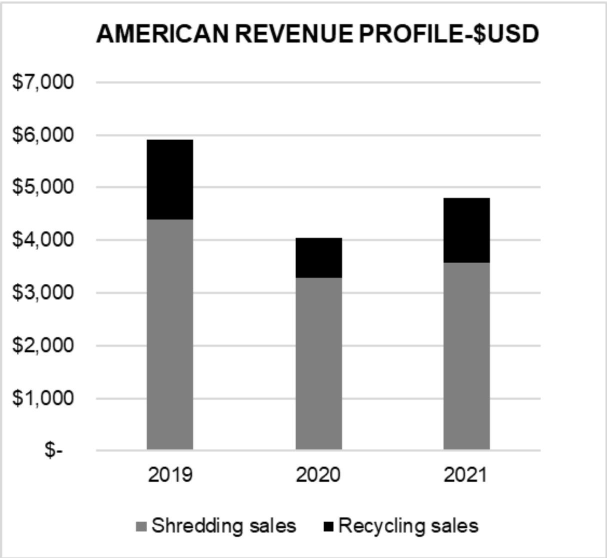
Dollar amounts in thousands of Canadian dollars (except as noted)

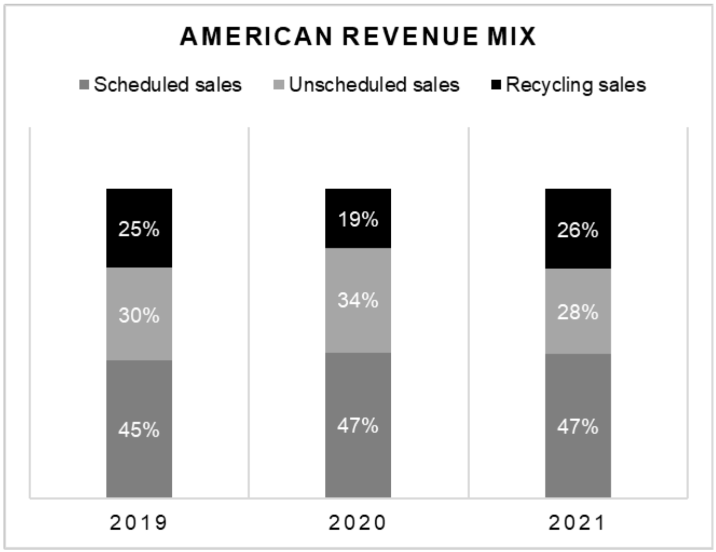
	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the year ended December 31,	**2021**	2020	% Change	**2021**	2020	% Change	**2021**	2020
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**26,787**	19,390	*38%*	**21,416**	19,390	*10%*	**5,371**	-
Electronic waste sales	**1,005**	1,254	*(20)%*	**1,005**	1,254	*(20)%*	**-**	-
Scanning sales	**1,992**	82	*2331%*	**212**	82	*158%*	**1,780**	-
Recycling sales	**4,418**	2,476	*78%*	**3,626**	2,476	*46%*	**792**	-
Total sales	**34,201**	23,202	*47%*	**26,258**	23,202	*13%*	**7,942**	-
Operating costs(1),(2)	**21,839**	16,043	*36%*	**17,071**	16,043	*6%*	**4,768**	-
EBITDA	**12,362**	7,159	*73%*	**9,187**	7,159	*28%*	**3,175**	-
% of revenue	***36%***	*31%*	*500 bps*	***35%***	*31%*	*400 bps*	***40%***	-
Depreciation – tangible assets	**4,413**	3,587	*23%*	**3,247**	3,587	*(9)%*	**1,166**	-
Operating income	**7,949**	3,572	*122%*	**5,940**	3,572	*66%*	**2,009**	-
% of revenue	***23%***	*15%*	*800 bps*	***23%***	*15%*	*200 bps*	***25%***	-
Operating income less recycling	**3,531**	1,096	*222%*	**2,315**	1,096	*111%*	**1,216**	-
% of revenue excluding recycling	***12%***	*5%*	*700 bps*	***10%***	*5%*	*500 bps*	***17%***	
EBITDA – in USD	**9,861**	5,337	*85%*	**7,332**	5,337	*37%*	**2,529**	-
% of revenue	***36%***	*31%*	*500 bps*	***35%***	*31%*	*400 bps*	***40%***	

Note 1: During the year ended December 31, 2021, acquisition/vendor-related consulting fees of $331 are included in the total and non-same operating costs.
Note 2: During the year ended December 31, 201, COVID-19 vaccination incentive program costs of $32 and $21 are included in same and non-same corporate location operating costs, respectively.

Acquisitions

In Q4-2021, the Company acquired American Shredding. American Shredding generated USD $4.8 million, USD$4.1 million and USD$5.9 million in revenue in 2021, 2020 and 2019, respectively, with 2021 and 2020 results being impacted by the COVID-19 pandemic. This business has historically had strong recurring revenue with 47% of total sales being scheduled sales.





Note: Historical information has been provided by the former owner.

General and administrative expenses

General and administrative ("G&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, management salaries and benefits and acquisition costs related to on-going acquisition activity.

G&A expenses for the three months ended December 31, 2021, increased by 95% as compared to the same period of 2020. During Q4-2020, the Company had significantly reduced expenditures in this area to mitigate against the negative impacts that COVID-19 had on the Company's revenues. As of Q4-2021 the company has increased its human resources, increasing headcount in the areas of technology, operational finance and marketing to support the acquired and organic revenue growth. Professional fees incurred during Q4-2021 include accounting fees for quarterly reviews as well as tax services that were not incurred in 2020. Other expenses incurred during Q4-2021 include travel costs for business development which increased over the prior comparative period as travel restrictions eased over the prior comparative period.

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

General and administrative expenses of the Company are broken down as follows:

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
	$	$		**$**	$	
Salaries and benefits	**728**	390	*87%*	**2,318**	1,621	*43%*
Stock based compensation	**45**	16	*179%*	**117**	120	*(2)%*
Acquisition costs(1)	**89**	77	*16%*	**182**	184	*(1)%*
Professional fees	**257**	170	*51%*	**697**	388	*80%*
Technology	**144**	124	*16%*	**495**	442	*12%*
Other expenses	**454**	102	*345%*	**977**	497	*97%*
Total selling, general and administrative expenses(2)	**1,717**	879	*95%*	**4,786**	3,252	*47%*
As a percentage of total revenue	***16%***	*14%*	*200 bps*	***13%***	*13%*	*0 bps*
Total selling, general and administrative expenses including CEWS	**1,717**	726	*137%*	**4,729**	2,911	*62%*

(1) Acquisition costs incurred during Q4-2021 relate to the American Shredding acquisition closed on December 1, 2021.
(2) Does not include Growth Fund expenses.

Other Income and Expenses

Government Assistance

In February and March 2021, the Company qualified for the second draw on the Paycheck Protection Program ("PPP") loan in the United States. The PPP loan was made available by the U.S. Small Business Administration to eligible U.S. 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. As at December 31, 2021, the entire PPP loan received was forgiven and as a result, the amount of $1,292 was recorded as 'Government assistance' income in the Company's consolidated financial statements for the year ended December 31, 2021 (for the year ended December 31, 2020 - $1,569).

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 provided 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 $56 (year ended December 31, 2020- $340) from the CEWS program that has been recorded as government assistance income in the Company's consolidated financial statements.

Impairment of Goodwill

The Company performs an impairment test of long-lived assets when there is an indication of impairment, which includes indicators such as when actual sales are less than budgeted, profits are less than prior years' profits and when significant events and circumstances indicate that the carrying amount may not be recoverable. There were no indicators of impairment of the Company's long-lived assets during the year ended December 31, 2021 or December 31, 2020 to warrant an analysis to be performed. Goodwill is tested for impairment at least annually and the Company performed its annual impairment on December 31, 2021, with the recoverable amount of all of the Company's cash-generating units exceeding their carrying amount and no impairment recognized (year ended December 31, 2020- $586).

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

Amortization – Corporate locations

Amortization of intangible assets primarily relates to intangible assets purchased by way of acquisitions. The increase is primarily due to the acquisitions of the Massachusetts, Richmond and Atlanta businesses, and the American Shredding acquisition, offset by the appreciation of the Canadian dollar over the prior year.

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Amortization – intangible assets	**848**	550	*(54)%*	**2,708**	2,304	*(18)%*

Contingent Consideration

The Company has earn-out payments owing for acquisitions completed that is contingent on certain earn-out targets being met. During the year ended December 31, 2021, with the acquired businesses performing better than previously the Company recorded a loss on remeasurement of contingent consideration of $227 (year ended December 31, 2020- gain of $ 397).

As at December 31, 2021, the Company has the following related to contingent consideration:

Range of origination	**Range of payouts**	**Current portion**	**Long-term portion**	**Range of maturity**
March 1, 2020 to December 1, 2021	USD$0 to USD$6,212	CAD$1,854 USD$1,462	CAD$2,494 USD$1,967	January 1, 2022 to December 1, 2024

Foreign exchange

The Company has revenues and costs that are denominated in US dollars; this dependency on the USD typically causes foreign exchange gains when the Canadian dollar depreciates versus the USD. The full year 2021 average exchange rate is down 7% versus 2020.

Exchange rates utilized

1 USD:CAD	**2021**				**2020**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Average rate	1.25	1.26	1.25	1.27	1.34	1.35	1.37	1.32
Close rate	1.27	1.27	1.24	1.25	1.27	1.36	1.36	1.41

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

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Foreign exchange loss	**(85)**	(3,106)	97%	**(200)**	(1,111)	82%

Gain on disposition of tangible assets

The Company disposed of certain shredding vehicles during the year ended December 31, 2021 for proceeds of $1,014 and recognized a resultant gain on disposition of these tangible assets of $394, which is included in the Company's consolidated statement of income and comprehensive income.

Interest income and expense

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

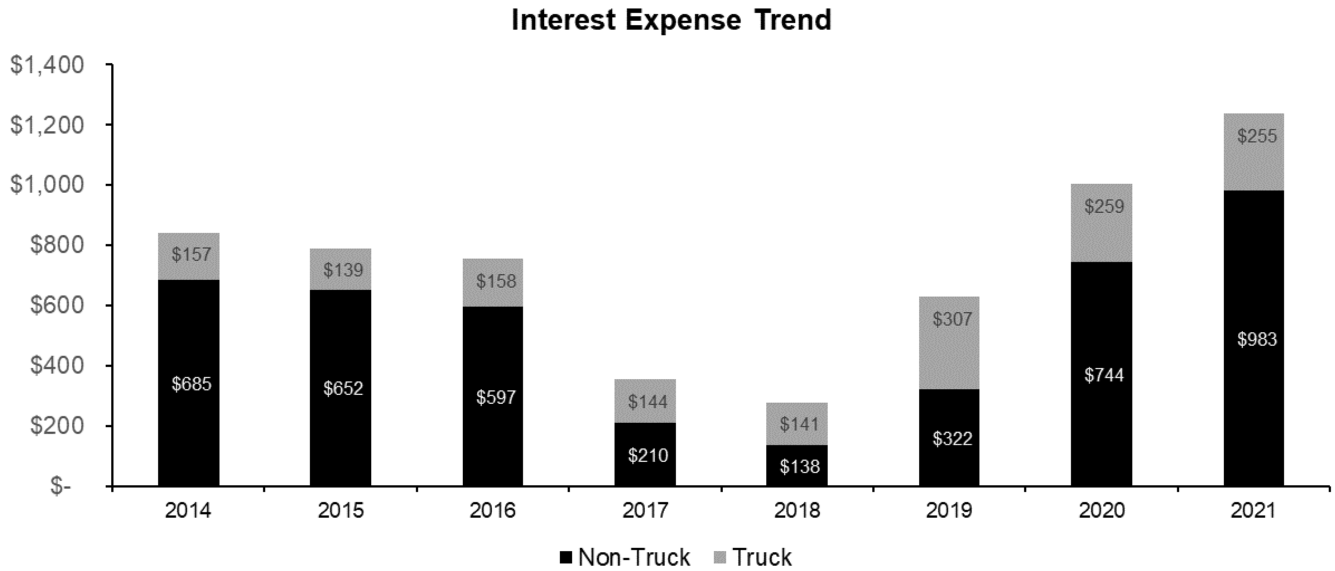
Interest expense for the three months and year ended December 31, 2021 relates to the following:

- the Company's term loans with the exception of the term loan advanced in December 2021, which currently bear interest at 2.99% to 3.69% per annum;
- The term loan advanced to the Company in December 2021 which bears interest at a variable rate of prime plus 1.25% per annum:
- truck loan agreements, which bear interest at 3.92% to 5.99% per annum;
- interest on the Company's lease liabilities; and
- Non-cash interest accretion on the Company's contingent consideration owing

Interest expense increased during the three months and year ended December 31, 2021, as compared to the same periods of 2020, due to the following:

(1) $7.1 million in term loan borrowings during 2021 to partially fund acquisitions;
(2) Interest on office leases assumed as part of the acquisitions completed in the past twelve months; and
(3) The purchase of news trucks in 2021 which were all financed.

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



	For the three months ended December 31,			For the twelve months ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
	$	$		**$**	$	
Interest income	**2**	35	*(94)%*	**13**	89	*(85)%*
Interest expense	**(463)**	(310)	*(49)%*	**(1,236)**	(1,003)	*(23)%*

Income Tax

The Company has incurred Canadian non-capital losses of $1,934 that can be carried forward to reduce taxes payable in Canada. The losses expire at various times commencing December 31, 2035. The Company has incurred U.S. non-capital losses of $14,959 that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times commencing December 31, 2022.

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

Reconciliation of EBITDA to Net Income

	For the three months ended December 31,			For the year ended December 31,		
	2021	2020	*% Change*	**2021**	2020	*% Change*
	$	$		**$**	$	
EBITDA	**1,658**	1,148	*44%*	**9,191**	5,939	*55%*
Less: depreciation – tangible assets	**(1,245)**	(936)	*(33)%*	**(4,504)**	(3,701)	*(22)%*
Operating income	**413**	212	*95%*	**4,687**	2,238	*110%*
Less: interest expense	**(463)**	(310)	*(49)%*	**(1,236)**	(1,003)	*(23)%*
Add: interest income	**2**	35	*(94)%*	**13**	89	*(85)%*
Operating income less net interest expense	**(48)**	(63)	*(24)%*	**3,464**	1,324	*162%*
Less: amortization – intangible assets	**(764)**	(562)	*(36)%*	**(2,708)**	(2,304)	*(18)%*
Less: impairment of goodwill	–	(586)	*100%*	–	(586)	*100%*
Add: other Income	**56**	–	*100%*	**56**	–	*100%*
Add: gain on disposition of tangible assets	**386**	–	*100%*	**394**	–	*100%*
Add: gain on debt modification	–	114	*(100)%*	–	114	*(100)%*
Add: remeasurement of contingent consideration	**26**	205	*(87)%*	**(227)**	397	*(157)%*
Add: government assistance	**7**	153	*(96)%*	**1,348**	1,909	*(29)%*
(Loss) income before foreign exchange and income tax	**(338)**	(739)	*(54)%*	**2,327**	854	*173%*
Less: foreign exchange loss	**(85)**	(3,106)	*(97)%*	**(200)**	(1,111)	*(82)%*
Less: income tax recovery (expense)	**(370)**	610	*(161)%*	**(769)**	533	*(244)%*
Net (loss) income	**(793)**	(3,235)	*(75)%*	**1,358**	276	*392%*

Selected Annual Information

	2021	**2020**	**2019**
	$	$	$
Revenue	36,199	25,437	22,407
Net income (loss)	1,358	276	(779)
Operating income less net interest expense per share – diluted	0.044	0.017	0.025
Net income per share – basic and diluted	0.017	0.004	(0.010)
Total assets	79,334	58,688	53,770
Total non-current liabilities	27,650	20,232	15,714
Dividends	-	-	-

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

Selected Quarterly Results

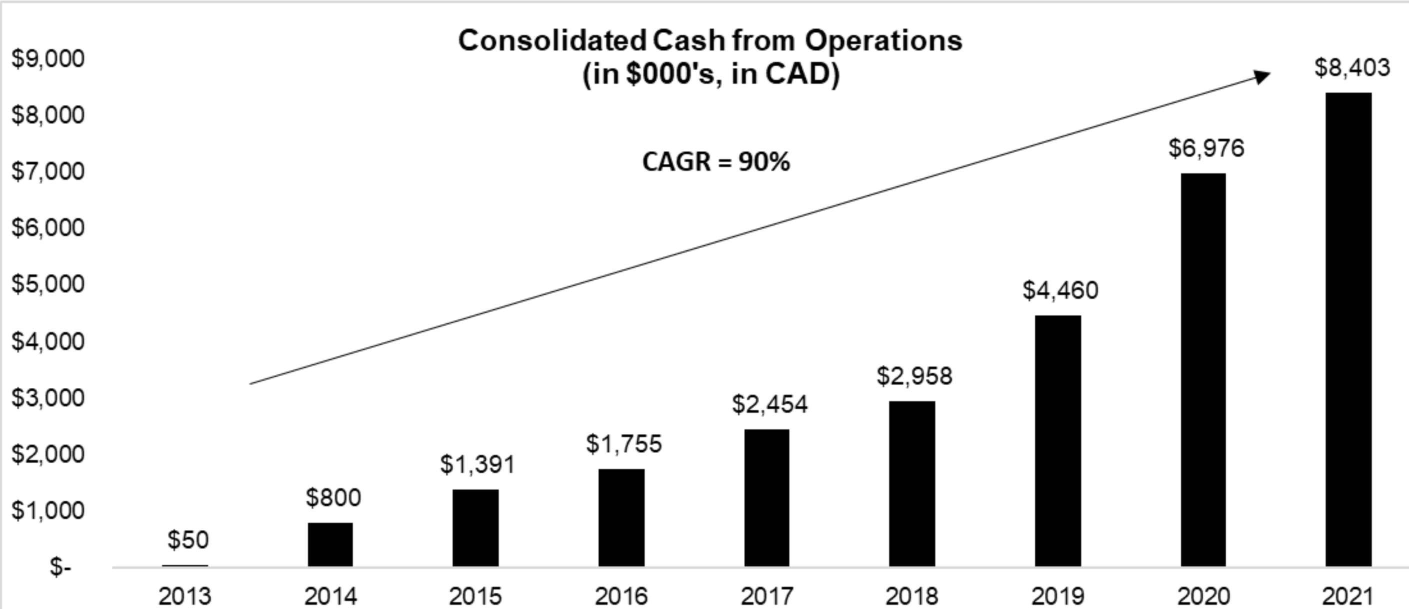
As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company's unscheduled shredding in Q2 and Q3 typically tends to be stronger than Q1 and Q4 of every year. In Q1 the Company is impacted by weather challenges that disrupt shredding services. In Q4 the Company is impacted by fewer business days due to the Thanksgiving and Christmas holidays, with some impact from weather on shredding sales.

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Total system sales (USD)	14,150	13,544	12,817	10,682	10,006	10,694	8,726	10,989
Consolidated Performance								
Revenue	10,424	9,785	8,677	7,313	6,144	6,665	6,034	6,594
EBITDA	1,658	2,857	2,622	2,054	1,148	1,867	1,565	1,359
Operating Income	412	1,710	1,544	1,021	212	939	572	515
Operating income (loss) per weighted average share fully diluted	0.005	0.021	0.020	0.013	0.027	0.012	0.007	0.006
Income (loss) income before taxes from continuing operations	(423)	1,547	62	941	(3,845)	433	(608)	3,657
Net income (loss)	(793)	1,605	(410)	956	(3,235)	456	(608)	3,663
Basic and diluted net income (loss) per share	(0.01)	0.02	(0.01)	0.01	(0.041)	0.006	(0.008)	0.05
Corporate Location Performance								
Revenue	9,946	9,273	8,177	6,805	5,572	6,093	5,532	6,003
EBITDA	3,003	3,707	3,249	2,403	1,528	2,103	1,744	1,783
Operating Income	1,780	2,579	2,195	1,395	634	1,199	776	963

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

Financial Condition, Capital Resources and Liquidity

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



	For the three months ended December 31,		For the year ended December 31,	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Net cash provided by operations	2,080	614	8,403	6,976
Net cash provided by financing activities	14,300	1,384	13,334	939
Net cash used in investing activities	(7,914)	(7,679)	(15,014)	(14,667)
Effect of foreign exchange rate changes	137	(432)	93	(468)
Change in cash	8,603	(6,113)	6,816	(7,220)
Cash, beginning of period	1,057	8,957	2,844	10,064
Cash, end of period	**9,660**	**2,844**	**9,660**	**2,844**

For the three months and year ended December 31, 2021, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During this period, the Company completed a Public Offering of Common Shares, utilized its credit facilities, and in part, cash provided by operations, to repay term and truck loans, lease liabilities, notes payable and contingent consideration owing. Cash used in investing activities during these periods was primarily to fund acquisitions completed, and purchase tangible and intangible assets, partially offset by proceeds from the disposal of shredding vehicles.

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

As at December 31,	**2021**	2020	*% Change*
Working capital	**$3,977**	($2,548)	*256%*
Total assets	**$79,334**	$58,688	*35%*
Total non-current liabilities	**$27,650**	$20,232	*37%*
Total liabilities	**$38,974**	$28,280	*38%*
Debt to total assets ratio	**0.49**	0.48	*2%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.57**	1.19	*32%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.39**	2.95	*19%*

The increase in working capital as at December 31, 2021, was driven primarily by higher cash and cash equivalents from the Public Offering of Common Shares in December 31, 2021.

The increase in total assets as at December 31, 2021 was due to acquisitions completed and tangible additions, partially offset by depreciation and amortization on tangible and intangible assets.

The increase in total non-current and total liabilities as at December 31, 2021 was due to debt financing obtained to partially fund acquisitions completed during the year and truck financing utilized for the purchase of new trucks.

As at December 31, 2021, the Company was in compliance with its financial covenants.

Bank facilities

As of December 31, 2021, the Company has the following secured senior credit facilities:

(1) An operating line of credit of $1 million (unused);
(2) A non-revolving term loan in the amount of $23.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As of December 31, 2021 and 2020, the Company has borrowed the following amounts from the non-revolving term loans:

Month of Advance	**Initial Amount**	**Interest per annum**	**Amortization period**	**December 31, 2021 balance**	**December 31, 2020 balance**
	$			**$**	**$**
May, 2019	6,003	3.50%	60 months	4,248	5,062
November, 2019	6,664	3.50%	84 months	5,157	6,043
March, 2020	2,688	2.99%	84 months	2,226	2,582
December, 2020	2,290	3.33%	84 months	1,990	2,290
August, 2021	854	3.69%	84 months	809	–
December, 2021[(a)]	6,290	Prime + 1.25%[(a)]	84 months	6,290	–
Total				**20,720**	**15,977**

(a) During the first nine-months of this term loan, monthly payments of interest only are due and payable. This loan is at Prime plus 1.25%, with the prime rate as at December 31, 2021 being 2.45%.

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 December 31, 2021, the Company has $1.0 million available on its operating line of credit and $2.8 million available on its non-revolving term loan.

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.

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

Truck loans

In June 2021, the Company established a new USD$1.8 million line of credit for the purchase of shredding vehicles with a lender in the United States. The interest rate is based on prevailing market rates at the time the line is used. As of December 31, 2021, the Company has USD$0.3 million available on the line of credit.

The Company has financed the purchase of shredding vehicles and as of December 31, 2021, the Company has an outstanding truck loan balance of $6.1 million.

Related party line of credit

The Company has a related party line of credit facility with a significant shareholder 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 December 31, 2021, the facility has not been drawn upon (December 31, 2020 - $nil).

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 Company's balance sheet as a right-of-use ("ROU") asset and a lease liability.

Lease Liability	**Number of ROU assets leased**	**Range of remaining term**	**Range of interest rates**	**Lease balance as of December 31, 2021**
				$
Office and warehouse building	16	March 2022 to March 2028	6.00%	3,230
Shredding vehicles	7	October 2022 to June 2026	5.95% to 6.00%	539
Total				**3,769**

The table below summarizes the remaining principal payments on the Company's financial liabilities:

	Less than 3 months	**3 months to 1 year**	**1 – 5 years**	**Over 5 years**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	2,784	363	200	-
Long-term debt	1,045	3,645	19,109	2,758
Contingent consideration	697	1,157	2,494	-
Lease liabilities	362	1,106	2,032	269

Based on overall cash generation capacity and financial position, while there can be no assurance, management believes the Company will be able to meet its financial obligations as they come due over the next twelve months.

Shareholders' equity

Shareholders' equity as at December 31, 2021 and 2020, was $40,360 and $30,408, respectively.

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

Public Offering and Use of Proceeds

The Company's use of proceeds from the December 2021 Public Offering of Common Shares completed under the Shelf Prospectus, has not changed from the disclosure set forth in the "Use of Proceeds" section of the document, through to the date of this MD&A.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Transactions with Related Parties

The Company defines its key management personnel as being the Chief Executive Officer, the Chief Financial Officer, the Senior Vice President of Operations and the Board of Directors. Remuneration paid to key management personnel during the year ended December 31, 2021 and 2020 was as follows:

	2021	2020
	$	$
Wages and benefits	1,103	820
Share-based compensation	92	108
Total compensation of key management	1,195	928

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of $4 due from this franchise as at December 31, 2021 (December 31, 2020 - $23). During the twelve months ended December 31, 2021, the Company earned royalties, franchise and service fees of $165 (December 31, 2020 - $173) from this franchise.

Risks and Uncertainties

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

Competition

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

Interest Rate Risk

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

Credit Risk

The Company is exposed to credit risk from the possibility that franchisees and/or customers may experience financial difficulty and be unable to fulfill their commitments and obligations to the Company. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee or customer. Credit assessments are conducted with respect to all new franchisees. No customer accounts for more than 10% of the Company's corporate store revenues. The Company's bad debt expense was 0.1% of revenues in 2021.

Pandemic Risk and Economic Downturn

The COVID-19 virus was declared a global pandemic by the World Health Organization on March 11, 2020. The pandemic has had a significant impact on the Canadian and United States economy due to disruptions to business operations, financial markets, regional economies and the world economy. In addition, the continued spread of the virus has resulted in uncertainty and considerable general concern. The severity and duration of the virus or its variants, the availability and distribution of the COVID-19 vaccines and the extent and duration of economic recoveries are unknown at this time. This may adversely affect the Company's and its franchisees ability to service its customers and may increase the Company's credit risk. There can be no assurance that a disruption in the U.S. and Canadian economies and worldwide economy would not negatively affect the financial performance of the Company in a material manner.

The Company is following all COVID-19 guidelines set by local public health authorities and governments. The Company continues to monitor business operations and may need to take further actions to respond to government and local public health authorities which may materially impact its business operations and financial results. The state of COVID-19 continues to change rapidly and the duration continues to be uncertain and, as a result, it is not possible to reliably estimate the consequential effects on the business.

Financing

The Company may require additional capital to grow its operations. Additionally, the Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company may be required to seek additional financing.

Acquisition Strategy

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

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

Paper Price Volatility Risk

The Company earns recycling revenue based on commodity paper prices which may vary with market conditions both in the United States and Internationally. The Company mitigates the risk of volatile paper prices by diversifying its revenue streams. For the year ended December 31, 2021, 12% of the Company's revenue was derived from recycling revenue.

Corporate Locations

The Company's acquired businesses may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with the businesses.

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

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

Currency Fluctuations

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

Expansion to New Markets

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

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

Litigation

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

Tax Reform

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

Cyber Security Risk

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

Insurance

The Company's insurance coverage, including professional errors and omissions insurance, cyber liability insurance, marine and auto insurance, employee practices liability insurance, crime insurance, director and officer liability insurance, and commercial general liability insurance coverage, address all material insurable risks and provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions.

However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company.

Use of Estimates and Judgements

The preparation of financial statements 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. Estimates that are critical to understanding the business and operation results of the Company are as follows:

i) Impairment

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

i) Deferred income taxes

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

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

ii) Useful lives of tangible and definite life intangible assets

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

iii) Business combinations

When the Company conducts an acquisition, judgements are necessary in determining whether the acquisition meets the definition of a business under *IFRS 3 – Business Combinations.* At the date of acquisition, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their respective fair values. Any intangible assets identified are valued using appropriate valuation techniques based on a forecast of the total expected future net cash flows. These valuations are based on assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

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

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company is authorized to issue an unlimited number of Common Shares, without nominal or par value, and an unlimited number of preferred shares, without nominal or par value. As of the date of this MD&A, 90,794,755 Common Shares, and 2,311,361 stock options are issued and outstanding.

On December 7, 2021, the Company completed a public offering of 9,803,750 common shares at a price of $0.88 per common share for total gross proceeds of $8,627 and net proceeds of $7,768, net of transaction costs of $859. The net proceeds of the private placement will be used to fund future growth initiatives including both acquisitions and organic growth and for general corporate purposes.

Subsequent Events

On March 1, 2022, the Company acquired the assets of Mobile Document Destruction ("MDD"), an Illinois-based shredding business. The purchase consideration for this acquisition was comprised of a payment of USD$275 paid on closing and contingent consideration payable of USD$60, if certain financial results are achieved during the 12-month period following the acquisition date. The Company anticipates an increase in its annualized revenue of USD$200, based on prior year financial results, from this acquisition.

Additional Info

The Company trades on the TSX Venture Exchange under the symbol "KUT". Additional information relating to the Company, including all of the Company's public filings and Annual Information Form, is available on the SEDAR website (**sedar.com**) and on the Company's own website at **proshred.com/redishred/**. This MD&A is dated as of April 20, 2022, and reflects all material events up to this date.