Management's Discussion and Analysis

March 31, 2022

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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 March 31, 2022 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 Q1 2022, the Proshred system achieved USD$16.4 million in System Sales (USD $6.9 million from franchised/licensed locations and USD $9.5 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 first quarter of 2022, we saved ~ 220,000 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 clean 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 through to the most senior management positions as we believe the best service is delivered 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 Company's consolidated interim 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and 2021, and the Company's audited consolidated financial statements for the year ended December 31, 2021, 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 May 26, 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 availability of resources, including vehicle and people;

g. the level of inflation in the United States and Canada;

h. the number and size of acquisitions;

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

j. the exchange rate fluctuations between the U.S. and Canadian dollars.

(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 are 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 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 23.

- **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 23.

- **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 23.

- **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 the impact of 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 growth– 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.

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

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

Financial and Operational Highlights

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

For the three months ended March 31,	KPI	2022	2021	Change[a]
System Sales Performance – in USD				
Total locations in the United States		**30**	**30**	*0%*
Total system sales	(1)	**$16,409**	**$10,682**	*54%*
% of scheduled sales		***46%***	***52%***	
Consolidated Operating Performance				
Revenue		**$12,517**	**$7,313**	*71%*
EBITDA	(2)	**$4,066**	**$2,054**	*98%*
EBITDA margin		***32%***	***28%***	*400 bps*
Operating income	(3)	**$2,732**	**$1,021**	*168%*
Operating income margin		***22%***	***14%***	*800 bps*
Operating income less net interest expense		**$2,349**	**$773**	*204%*
Operating income per weighted average share fully diluted	(8)	**$0.030**	**$0.013**	*132%*
Government assistance not included in the above[b]		**-**	**$1,320**	*(100)%*
Corporate Location Performance				
Revenue		**$11,996**	**$6,805**	*76%*
EBITDA		**$4,929**	**$2,403**	*105%*
EBITDA margin		***41%***	***35%***	*600 bps*
Operating income	(4)	**$3,617**	**$1,395**	*159%*
Operating income margin		***30%***	***20%***	*1,000 bps*
Operating income less recycling revenue	(5)	**$1,321**	**$773**	*71%*
Capital Management				
As at March 31, and December 31,		**2022**	2021	*Change*
Working capital[c]		**$5,228**	**$3,977**	*31%*
Debt to total assets ratio		**0.48**	**0.49**	*(3)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	**1.51**	**1.57**	*(4)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	**2.29**	**2.39**	*(4)%*

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 were made available to eligible US businesses that have been affected by the COVD-19 pandemic and the Canadian Emergency Wage Subsidy ("CEWS") in Canada.
c) Working Capital represents the excess of the Company's current assets over its current liabilities.

Summary of Results and Operations

Revenue Growth in Q1-2022

The Company achieved 71% total revenue growth and total revenue growth in constant currency during Q1-2022 versus Q1-2021 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 continued easing and elimination of COVID-19 restrictions;
    b. the addition of new customer accounts; and
    c. the growth from existing customer accounts.

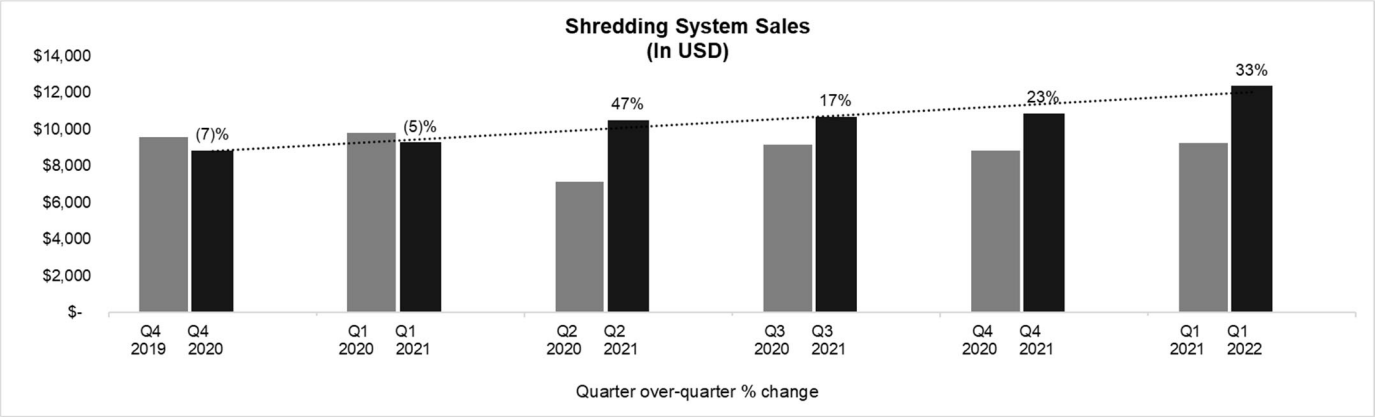
Note that the quarter-over-quarter and constant currency quarter-over-quarter growth is identical, as the average foreign exchange rate in Q1-2022 and Q1-2021 was the same at 1.27 CAD to USD. See the "Foreign Exchange" subsection of the MD&A under "Other Income and Expenses."

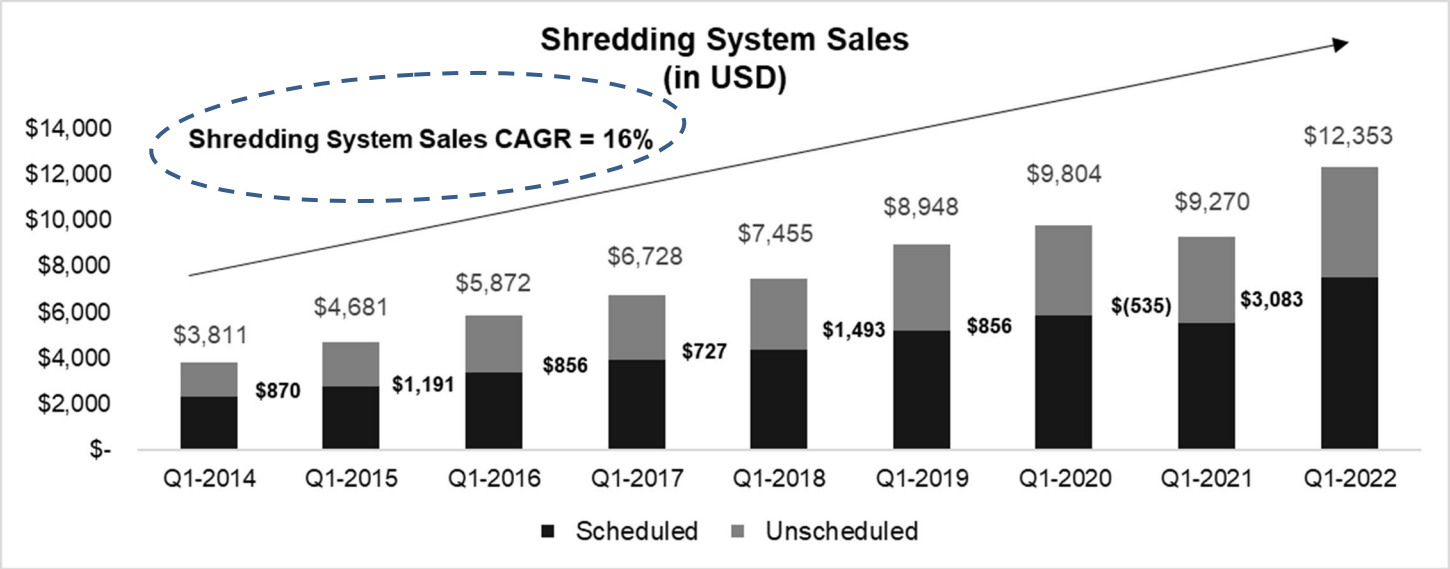
Q1-2022 System Sales Continued to Grow

Shredding system sales in Q1-2022 grew versus Q1-2021, from both franchise and corporate location organic and acquisition related growth.

The growth in system sales was as follows:

For the three months ended March 31,	**2022 vs. 2021**
Scheduled system sales	36%
Unscheduled system sales	29%
Shredding system sales	33%

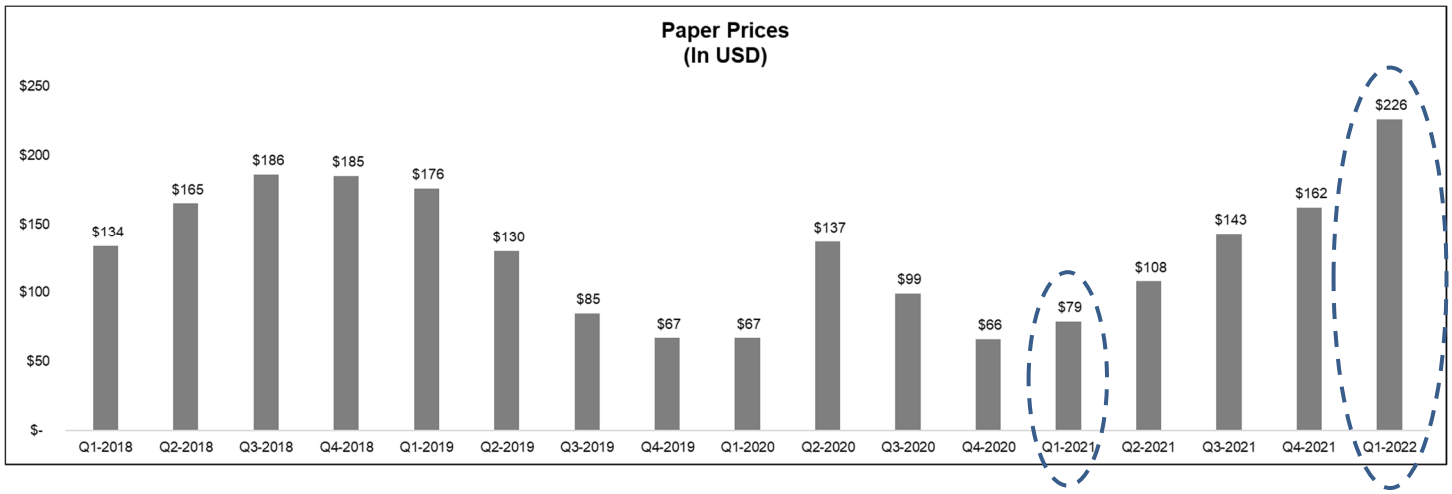




Note: The figures bolded in black font in the chart above refer to the year over year growth in total shredding system sales. Compound Annual Growth Rate ("CAGR") refers to the growth rate of an amount over a period of time, if it had grown at the same rate every year.

Recycling system sales grew by 222% in Q1-2022 versus Q1-2021 as paper tonnage increased by 23% and the average paper price in the Proshred system increased by 186% over this period.

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

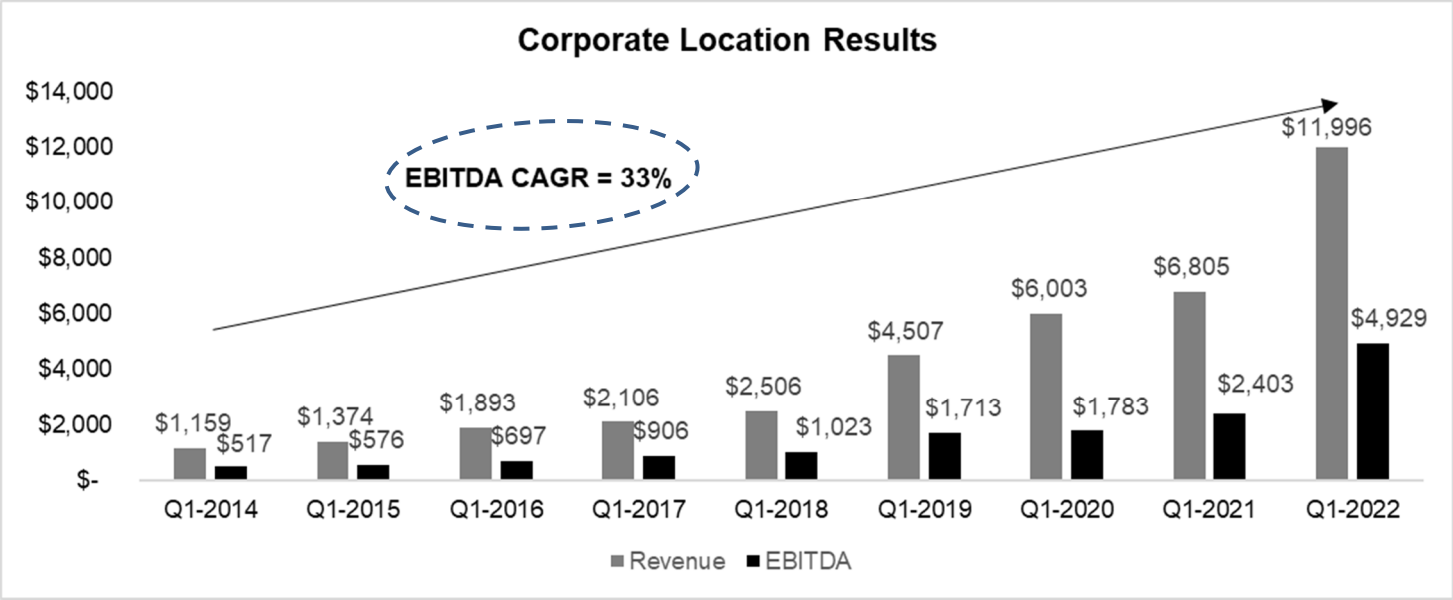


Strong Same Corporate Location EBITDA Growth

The Company achieved 66% growth in same corporate location EBITDA and a 700bps improvement in EBITDA margin, with constant currency EBITDA growth of 66%. The EBITDA growth was driven by the following factors:

(1) new scheduled shredding service clients were added throughout the quarter;
(2) continued demand for unscheduled shredding services; 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

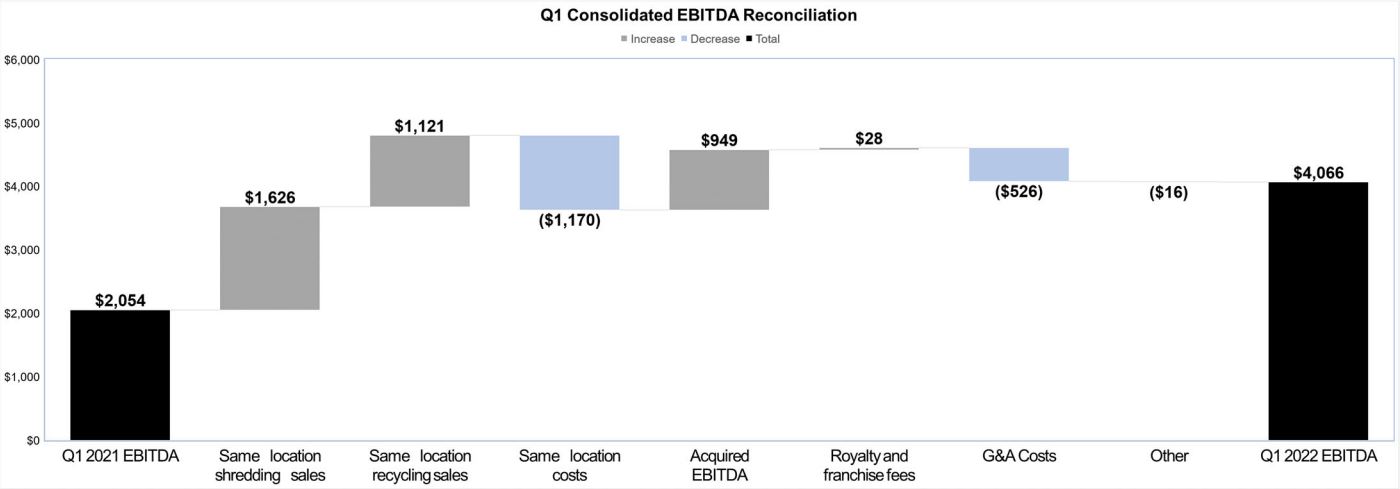
The Company completed the acquisition of Mobile Document Destruction ("MDD"), an Illinois-based shredding business, on March 1, 2022. The acquisitions that the Company has conducted during the last 12 months, including the acquisitions of the Richmond and Atlanta franchises, and the American Security Shredding Corp. ("American Shredding") and MDD businesses, have been accretive to the Company's EBITDA and cash flows in Q1 2022.

Strong Consolidated EBITDA Growth

The Company's consolidated EBITDA was $4,066, or 98% higher, in Q1-2022 when compared to Q1-2021 driven by:

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

(2) Same corporate location EBITDA growth.



Strategic Targets

1. Growth of Same Location Shredding System Sales:	
2022 Target	Same location shredding system sales growth of 10% to USD$45M.
Q1-2022 Performance	Exceeded. Same location shredding system sales were USD $11.5M in Q1-2022, growing 24% versus Q1-2021.
2. Growth in Same Location EBITDA and Operating Income (Corporate Locations):	
2022 Target	Growth of 8% in same location EBITDA to $13.4M and growth of 11% in same location operating income to $8.8M.
Q1-2022 Performance	Exceeded. Same location EBITDA and operating income for Q1-2022 were $4.0M and $3.0M, respectively, driven by strong organic top-line revenue growth, including strong tonnage growth and favourable paper pricing movements. EBITDA growth was 66% in Q1-2022 versus Q1-2021 and Operating Income growth was 115% in Q1-2022 versus Q1-2021.
3. EBITDA and Operating Income from acquired operations (Corporate Locations):	
2022 Target	EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.
Q1-2022 Performance	Exceeded. The EBITDA and operating income margins from acquired operations were 39% and 25%, respectively, driven by customer growth, higher paper pricing and tonnage, and route enhancements and optimizations.
4. Expand by way of Accretive Acquisitions:	
2022 Target	Add USD$4M to USD$5M in revenue by way of accretive acquisitions.
Q1-2022 Performance	On target. The Company completed the acquisition of Mobile Document Destruction ("MDD"), an Illinois-based shredding business, on March 1, 2022. In 2021, MDD generated revenue of $0.3 million. The Company continues to actively seek acquisition opportunities in the United States.
5. Improve Operating Leverage[(1)]:	
2022 Target	G&A costs at 12% of total revenue.
Q1-2022 Performance	Exceeded. G&A costs as a percentage of total revenue were 10% in Q1-2022.

(1) G&A costs as a percentage of revenue target does not include Growth Fund revenue and costs.

Outlook

Demand for Shredding and Scanning Services Remains Strong

The Company continues to see marketing leads for both scheduled and unscheduled services, which the Company's experienced salesforce looks to close at increasing rates, contributing to top-line growth.

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

Recycling Revenue

The following outlines the Q2-2022 average paper price estimated based on April 2022 paper pricing:

	Q1-2022	Q2-2022 Estimate	*% Change*
Average price (in USD)	$226	$230	*2%*

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 through a combination of bank and equity financings and contingent consideration payable in cash.

Total System Sales

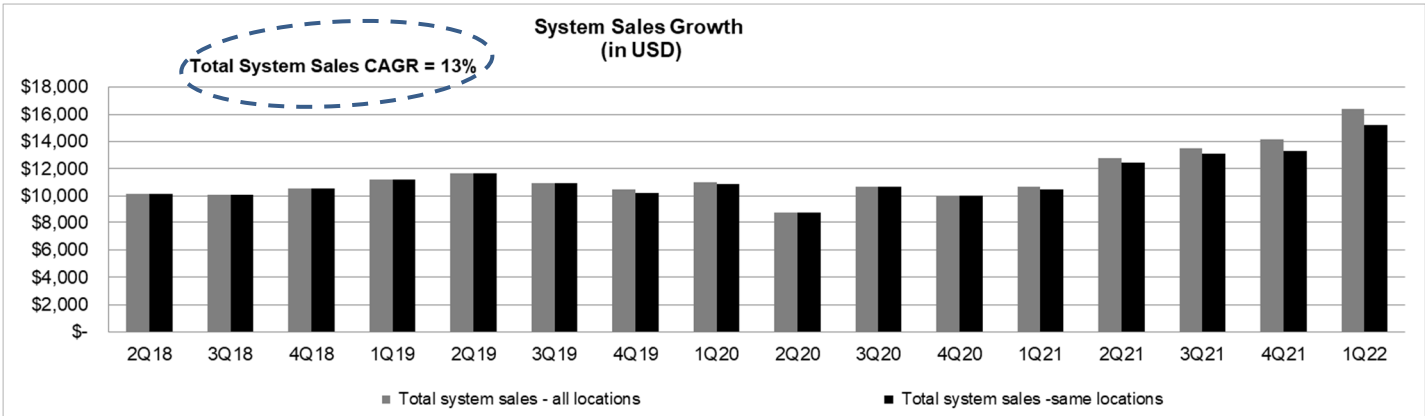
Franchisees and corporate locations generate revenue by (1) providing shredding services and disposal of electronic waste services to their customers, (2) selling recycled paper and other recyclable by-products (i.e., metals and plastics), (3) the resale of certain electronics collected from customers 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:

For the three months ended March 31,	**2022**	2021	*%Change*
Total U.S. operation locations at period end	**30**	30	*0%*
Total system sales (USD)	**$16,409**	$10,682	*54%*
Total same location system sales (USD)	**$15,220**	$10,682	*42%*

American Shredding contributed USD $1.2 million to total system sales in Q1 2022.

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



System sales mix

The system sales mix in USD for the three months ended March 31, 2022 and 2021 are as follows:

System sales in USD For the three months ended March 31,	**2022**	2021	*%Change*
	$	$	
Scheduled	**7,505**	5,523	*36%*
Unscheduled	**4,848**	3,747	*29%*
Recycling	**3,310**	1,028	*222%*
Scanning	**512**	182	*181%*
Electronic waste	**234**	202	*16%*
Total System Sales	**16,409**	10,682	*54%*

Scheduled system sales

Scheduled system sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. In Q1-2022, scheduled sales grew 36% over Q1-2021 and reached a record high of USD$7.5 million.

Unscheduled system sales

Unscheduled system 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 Q1-2022, unscheduled system sales grew 29% over Q1-2021, driven by a growing customer base and large one-time customer requirements.

Recycling system sales

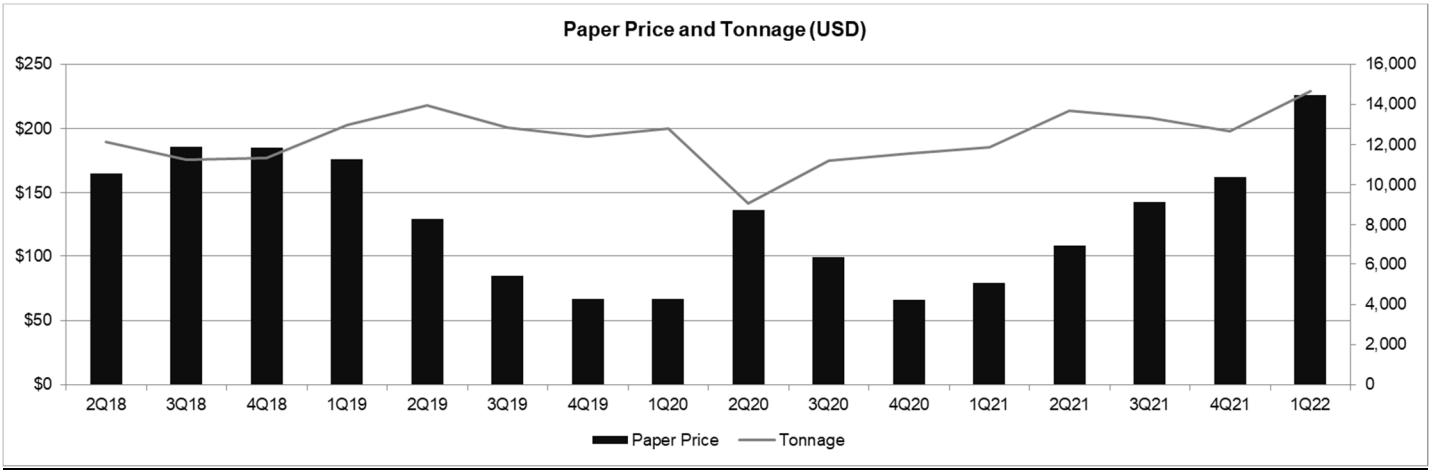
Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper, and the volume of paper recycled, which is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

For the three months ended March 31,	**2022**	2021	*% Change*
Recycling system sales (USD)	**$3,310**	$1,028	*222%*
Tonnage processed (units)	**14,658**	11,885	*23%*
Average paper price per ton	**$226**	$79	*186%*

The Proshred system shred and recycled 14,658 tons of paper during Q1-2022 (11,885 – during Q1-2021), which equates to 220,000 trees being saved (178,000 – during Q1-2021). (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.

The following chart illustrates tonnage processed and average paper price per ton, in USD, by quarter since the second quarter of 2018



Electronic waste sales

Electronic waste sales are defined as the revenue generated from disposal 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, servicing the Midwestern United States. In Q1-2022, electronic waste sales grew 16% over Q1-2021, as customers resume recycling their electronic waste, which in some instances, was halted during the COVID-19 pandemic.

For the three months ended March 31,	**2022**	2021	*% Change*
Electronic waste sales (USD)	**$234**	$202	*16%*

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. The Company currently provides scanning services in its Massachusetts, Charlotte and Richmond markets. In Q1-2022, scanning sales grew 181% over Q1-2021, driven by customer demand to digitize their physical paper documents.

For the three months ended March 31,	**2022**	2021	*% Change*
Scanning sales (USD)	**$512**	$182	*181%*

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 Q1-2022, royalty and services fees increased by 3% over Q1-2021. With the acquisition of the 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 increased by 18% during three months March 31, 2022, compared to the same period in 2021.

Royalties, license, and service fees

	Total Franchise Locations			**Same Franchise Locations**		
For the three months March 31,	**2022**	2021	*% Change*	**2022**	2021	*% Change*
Total number of franchisees operating at period end	**16**	18	*(11)%*	**16**	16	*0%*
In USD:						
Royalty, license and service fees	**$367**	$354	*4%*	**$367**	$311	*18%*

Growth Fund

The Company manages a Growth 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 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 $178 as at March 31, 2022. The Growth Fund may incur losses going forward as the Growth Fund will continue to invest in marketing and sales channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. During the three months ended March 31, 2022, the Growth Fund had net loss of $96 (three months ended March 31, 2021 - $14 net loss).

Corporate Location Results

As of March 31, 2022, 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 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, and MDD, which was acquired on March 1, 2022.

Total corporate location revenues and EBITDA grew by 76% and 105%, respectively, in Q1-2022 versus Q1-2021 due to the acquisitions conducted over the past twelve months and the organic growth from same locations. Total EBITDA margin improved by 600 basis points over this period to 41% in Q1-2022.

During Q1-2022, same corporate location shredding revenue grew 21% over Q1-2021. The Company also continued to manage its same location direct and administrative costs resulting in same corporate location EBITDA growth of 66% compared to Q1-2021.

For the three months ended March 31, 2022	Quarter-over-quarter growth[1]	Constant currency quarter-over-quarter growth[1]
Same Corporate Locations:		
Total Sales	40%	40%
EBITDA	66%	66%
Operating Income	115%	115%
Total Corporate Locations:		
Total Sales	76%	76%
EBITDA	105%	105%
Operating Income	159%	159%

(1) Note that the quarter-over-quarter and constant currency quarter-over-quarter growth is identical, as the average foreign exchange rate in Q1-2022 and Q1-2021 was the same at 1.27 CAD to USD. See the "Foreign Exchange" subsection of this MD&A under "Other Income and Expenses."

For the three months ended March 31,	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2022	2021	*% Change*	**2022**	2021	% Change	**2022**	2021
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**8,754**	5,665	*55%*	**6,864**	5,665	*21%*	**1,890**	-
Electronic waste sales	**297**	231	*29%*	**297**	231	*29%*	-	-
Scanning sales	**648**	287	*126%*	**648**	287	*126%*	-	-
Recycling sales	**2,297**	622	*269%*	**1,743**	622	*180%*	**554**	-
Total sales	**11,996**	6,805	*76%*	**9,552**	6,805	*40%*	**2,444**	-
Operating costs [1]	**7,067**	4,402	*61%*	**5,572**	4,402	*27%*	**1,495**	-
EBITDA	**4,929**	2,403	*105%*	**3,980**	2,403	*66%*	**949**	-
% of revenue	***41%***	*35%*	*600 bps*	***42%***	*35%*	*700 bps*	***39%***	-
Depreciation – tangible assets	**1,312**	1,008	*30%*	**983**	1,008	*(2)%*	**329**	-
Operating income	**3,617**	1,395	*159%*	**2,997**	1,395	*115%*	**620**	-
% of revenue	***30%***	*20%*	*1000bps*	***31%***	*20%*	*1100 bps*	***25%***	-
Operating income less recycling	**1,320**	773	*71%*	**1,254**	773	*62%*	**66**	-
% of revenue excluding recycling	***14%***	*13%*	*100 bps*	***16%***	*13%*	*300 bps*	***3%***	
EBITDA – in USD	**3,893**	1,873	*108%*	**3,144**	1,873	*68%*	**749**	-
% of revenue	***41%***	*35%*	*600 bps*	***42%***	*35%*	*700 bps*	***39%***	

Note 1: During Q1-2022, acquisition/vendor-related consulting fees of $58 (Q1-2021 - $26) are included in the total and non-same corporate location operating costs.

Corporate location performance for Q1-2022 was significantly ahead of Q1-2021, both including and excluding the impact of recycling revenue. Total and same corporate location operating income, less recycling revenue, as a percentage of revenue for Q1-2022 grew by 100 bps and 300 bps, respectively, compared to Q1-2021. Non-same corporate location operating income, less recycling revenue, as a percentage of revenue for Q1-2022 was 3%; the majority of the non-same location results were driven by American Shredding that was acquired in December 2021 in the New York City region. The Company is actively consolidating routes, facilities, and operations in the Company's New York and North New Jersey locations. The baling facilities acquired with the American Shredding operation allows Redishred to attract higher paper prices and the ability to process increased tonnage at these higher prices.

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 March 31, 2022, increased by 57% as compared to the same period in 2021. G&A expenses as a percentage of revenue were 10% for the three months ended March 31, 2022 compared to 11% for the same period in 2021. During Q1-2021, the Company had significantly reduced expenditures in this area to mitigate against the negative impacts that COVID-19 had on the Company's revenues. Since then, 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 Q1-2022 include accounting fees for quarterly reviews as well as tax services. Other expenses incurred during Q1-2022 include travel costs for business development which increased over the prior comparative period as travel restrictions have reduced and general COVID restriction have been eased and in many states lifted.

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

For the three months ended March 31,	**2022**	2021	*% Change*
	$	$	
Salaries and benefits	**664**	443	*50%*
Stock based compensation	**66**	16	*313%*
Acquisition costs[(1)]	**22**	12	*87%*
Professional fees	**125**	76	*65%*
Technology	**155**	108	*44%*
Other expenses	**201**	131	*53%*
Total selling, general and administrative expenses[(2)]	**1,233**	786	*57%*
As a percentage of total revenue	***10%***	*11%*	*100 bps*
Total selling, general and administrative expenses including CEWS	**1,233**	756	*63%*

(1) Acquisition costs incurred during Q1-2022 relate to the MDD acquisition closed on March 1, 2022.
(2) Does not include Growth Fund expenses.

Other Income and Expenses

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 Richmond and Atlanta businesses, and the American Shredding acquisition.

For the three months ended March 31,	**2022**	2021	% Change
	$	$	
Amortization – intangible assets	**779**	642	*21%*

Contingent Consideration

The Company has earn-out payments owing for acquisitions completed that is contingent on certain earn-out targets being met. During the three months ended March 31, 2022, the Company recorded a remeasurement loss on contingent consideration of $39 (three months ended March 31, 2021- $nil).

As at March 31, 2022, 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 March 1, 2022	USD$0 to USD$5,771	CAD$1,977 USD$1,582	CAD$1,990 USD$1,592	April 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 Q1-2022 exchange rate is consistent with the Q1-2021 exchange rate.

Exchange rates utilized:

1 USD:CAD	**2022**	**2021**				**2020**			
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Average rate	1.27	1.25	1.26	1.25	1.27	1.34	1.35	1.37	1.32
Close rate	1.25	1.27	1.27	1.24	1.25	1.27	1.36	1.36	1.41

For the three months ended March 31,	**2022**	2021	% Change
	$	$	
Foreign exchange loss	**750**	508	48%

Interest income and expense

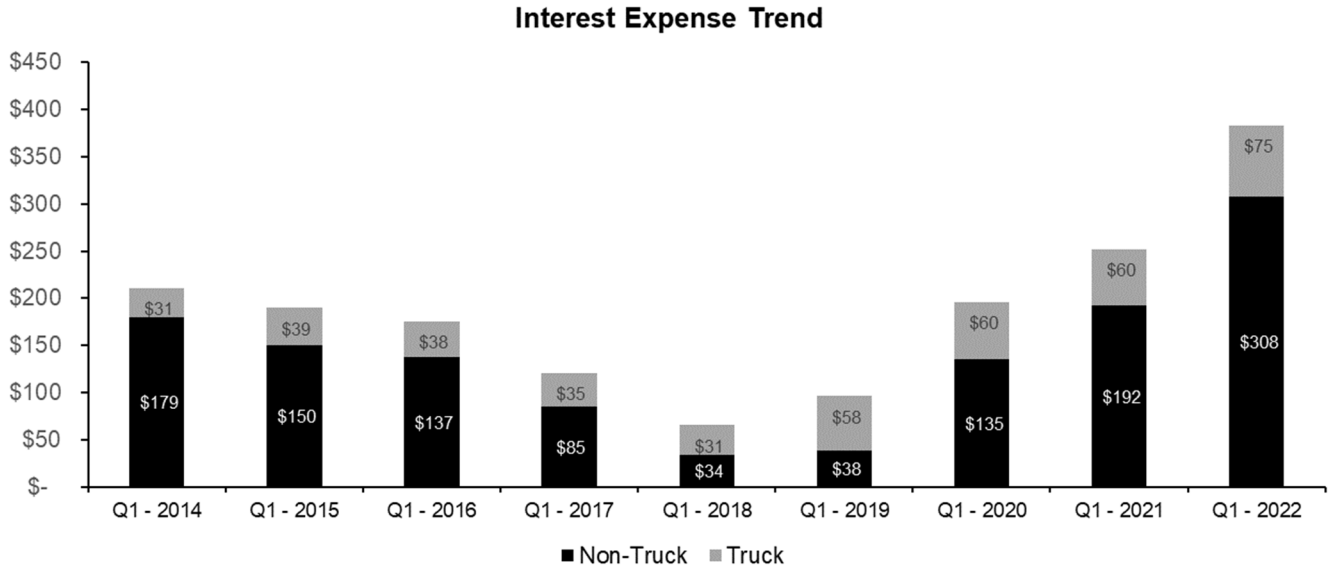
Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees.

Interest expense for the three months ended March 31, 2022 relates to the following:

- the Company's fixed rate term loans 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 end March 31, 2022, as compared to the same period in 2021, due to the following:

(1) Term loan borrowings to partially fund acquisitions;
(2) Interest on office leases assumed as part of the acquisitions completed in the past twelve months;
(3) Higher non-cash interest accretion on contingent consideration owing; and
(4) The purchase of new trucks in the past twelve months which were all financed.



For the three months ended March 31,	**2022**	2021	*% Change*
	$	$	
Interest income	**-**	**4**	*(100)%*
Interest expense	**383**	**252**	*52%*

Income Tax

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

Income before income taxes for the three months ended March 31, 2022 and 2021 was $788 and $942, respectively. Income tax expense for the three months ended March 31, 2022 was $515 (three months ended March 31, 2021- income tax recovery of $15), for an effective tax rate of 65% (three months ended March 31, 2021- (2%)). The higher effective tax rate for the three months ended March 31, 2022 was primarily due to the impact of foreign exchange movements on intercompany balances between Redishred and its subsidiaries. The lower effective tax rate for the three months ended March 31, 2021, was primarily due to $1,292 in non-taxable, forgivable loan funding received by the Company under the U.S. Paycheck Protection Program.

Reconciliation of EBITDA to Net Income

For the three months ended March 31,	**2022**	2021	*% Change*
	$	$	
EBITDA	**4,066**	2,054	*98%*
Less: depreciation – tangible assets	**(1,334)**	(1,033)	*29%*
Operating income	**2,732**	1,021	*168%*
Less: interest expense	**(383)**	(252)	*52%*
Add: interest income	**–**	4	*(100)%*
Operating income less net interest expense	**2,349**	772	*204%*
Less: amortization – intangible assets	**(779)**	(642)	*21%*
Add: gain on disposition of tangible assets	**7**	–	*100%*
Less: remeasurement of contingent consideration	**(39)**	–	*(100)%*
Add: government assistance	**–**	1,320	*(100)%*
Income before foreign exchange and income tax	**1,538**	1,450	*6%*
Less: foreign exchange loss	**(750)**	(508)	*48%*
Less: income tax (expense) recovery	**(515)**	15	*(3,553)%*
Net income	**273**	957	*(71)%*

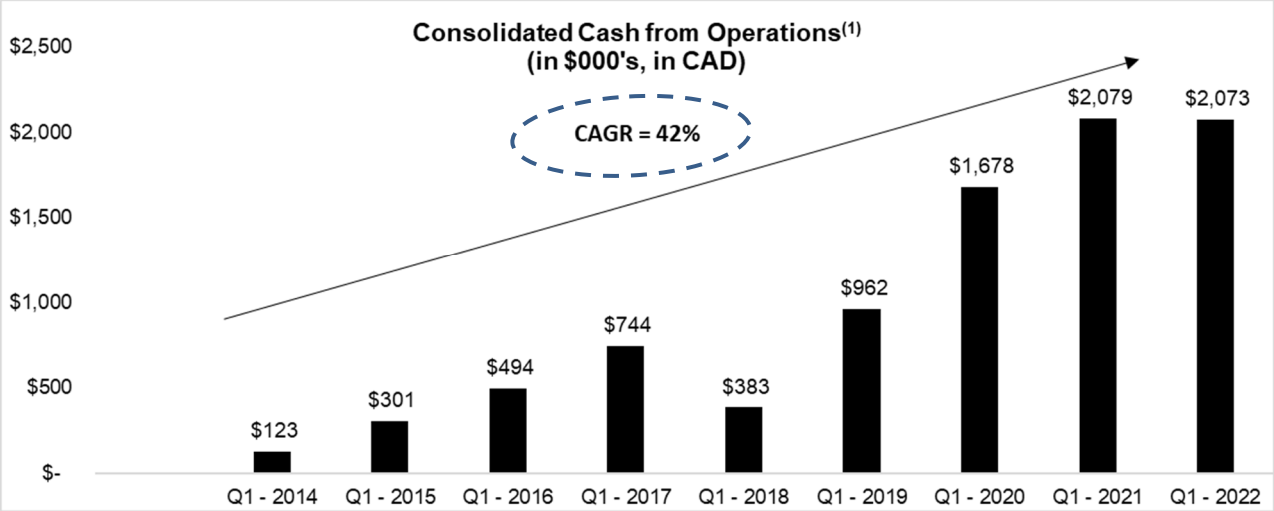
Selected Quarterly Results

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.

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
		$	$	$	$	$	$	$
Total system sales (USD)	16,409	14,150	13,544	12,817	10,682	10,006	10,694	8,726
Consolidated Performance								
Revenue	12,517	10,424	9,785	8,677	7,313	6,144	6,665	6,034
EBITDA	4,066	1,658	2,857	2,622	2,054	1,148	1,867	1,565
Operating Income	2,732	412	1,710	1,544	1,021	212	939	572
Operating income (loss) per weighted average share fully diluted	0.030	0.005	0.021	0.020	0.013	0.027	0.012	0.007
Income (loss) income before taxes from continuing operations	788	(423)	1,547	62	942	(3,845)	433	(608)
Net income (loss)	273	(793)	1,605	(409)	957	(3,235)	456	(608)
Basic and diluted net income (loss) per share	0.003	(0.01)	0.02	(0.01)	0.01	(0.041)	0.006	(0.008)
Corporate Location Performance								
Revenue	11,996	9,946	9,273	8,177	6,805	5,572	6,093	5,532
EBITDA	4,929	3,003	3,707	3,249	2,403	1,528	2,103	1,744
Operating Income	3,617	1,780	2,579	2,195	1,395	634	1,199	776

Financial Condition, Capital Resources and Liquidity

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



(1) Q1-2021 cash from operations includes $1.3 million in forgivable loans received under the United States Paycheck Protection Program.

For the three months ended March 31,	2022	2021
	$	$
Net cash provided by operations	2,073	2,079
Net cash used in financing activities	(1,563)	(1,168)
Net cash used in investing activities	(791)	(243)
Effect of foreign exchange rate changes on cash	(29)	(27)
Change in cash for the period	(310)	641
Cash, beginning of period	9,660	2,844
Cash, end of period	**9,350**	**3,485**

For the three months ended March 31, 2022, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During this period, the Company used cash in financing activities by repaying term and truck loans, lease liabilities, and contingent consideration owing, which was partially offset by proceeds received from the exercise of stock options and warrants. Cash used in investing activities during this period was primarily to fund acquisitions completed, and purchase tangible and intangible assets, partially offset by proceeds from the disposal of shredding vehicles. For the three months ended March 31, 2021, cash flow from operations included $1.3 million in forgivable loans received under the United States Paycheck Protection Program.

As of March 31, and December 31,	**2022**	2021	*% Change*
Working capital	**$5,228**	$3,977	*31%*
Total assets	**$78,252**	$79,334	*(1)%*
Total non-current liabilities	**$26,348**	$27,650	*(5)%*
Total liabilities	**$37,364**	$38,974	*(4)%*
Debt to total assets ratio	**0.48**	0.49	*(3)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.51**	1.57	*(4)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.29**	2.39	*(4)%*

The increase in working capital as at March 31 2022, was driven primarily by the growth of the business.

The decrease in total assets as at March 31, 2022 was driven by lower non-current assets due to depreciation and amortization on tangible and intangible assets in excess of additions, partially offset by higher working capital to support the growth of the business.

The decrease in total non-current and total liabilities as at March 31, 2022 was due to repayment of term loans and truck loans, and settlement of contingent consideration amounts owing.

As at March 31, 2022, the Company was in compliance with its financial covenants.

Bank facilities

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).

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 at March 31, 2022, the Company has borrowed the following amounts under the non-revolving term loans:

Month of Advance	**Initial Amount**	**Interest per annum**	**Amortization period**	**March 31, 2022 balance**	**December 31, 2021 balance**
	$			**$**	**$**
May, 2019	6,003	3.50%	60 months	4,040	4,248
November, 2019	6,664	3.50%	84 months	4,931	5,157
March, 2020	2,688	2.99%	84 months	2,135	2,226
December, 2020	2,290	3.33%	84 months	1,912	1,990
August, 2021	854	3.69%	84 months	784	809
December, 2021[(a)]	6,290	Prime + 1.25%[(a)]	84 months	6,290	6,290
Total	**24,789**			**20,092**	**20,720**

(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 March 31, 2022 being 2.70%.

As at March 31, 2022, the Company has $1.0 million available on its operating line of credit and $3.4 million available on its non-revolving term loan.

Truck loans

In June 2021, the Company established a 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 at March 31, 2022, the Company has USD$0.3 million available on the line of credit.

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 March 31, 2022, the facility has not been drawn upon (December 31, 2021 - $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 March 31, 2022
				$
Office and warehouse building	16	June 2022 to March 2028	6.00%	2,944
Shredding vehicles	7	October 2022 to June 2026	5.95% to 6.00%	478
Total				**3,422**

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	2,373	363	166	-
Long-term debt	1,065	3,635	18,552	2,358
Contingent consideration	469	1,508	1,990	-
Lease liabilities	363	977	1,864	218

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 March 31, 2022 and December 31, 2021, was $40,888 and $40,360, respectively.

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 Senior Vice President and Chief Financial Officer, the Senior Vice President of Operations and the Board of Directors. Remuneration paid to key management personnel during the three months ended March 31, 2022 and 2021 was as follows:

	2022	2021
	$	$
Wages and benefits	283	297
Share-based compensation	54	13
Total compensation of key management	337	310

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of $6 due from this franchise as at March 31, 2022 (December 31, 2021 - $4). During the three months ended March 31, 2022, the Company earned royalties, franchise and service fees of $46 (March 31, 2021 - $44) from this franchise.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties and are affected by a number of factors outside of our control. For more information about our risks and uncertainties, please refer to our MD&A for the year ended December 31, 2021. The risks and uncertainties remain substantially unchanged from those previously disclosed.

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.

Impact of the Omicron Variant of the COVID-19 virus

In December 2021 and into January 2022, 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. This impacted the Company's ability to service a significant number of customer calls during this time period and also resulted in the Company incurring additional CSP costs, primarily overtime, in its efforts to service as many clients as possible.

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. The interim financial statements have been prepared using critical accounting estimates and assumptions consistent with those applied in the Company's audited financial statements for the year ended December 31, 2021.

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, 91,212,755 Common Shares, and 2,837,560 stock options are issued and outstanding.

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 May 26, 2022, and reflects all material events up to this date.