Management's Discussion and Analysis

December 31, 2022

Table of Contents

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 at December 31, 2022, the Company operates 15 corporate locations directly, three of which also operate the Proscan branded imaging and scanning operations and one of which also operates an electronic waste services business under the Secure e-Cycle brand. In 2022, the Proshred system achieved USD$71.8 million in System Sales (USD $29.5 million from franchised/licensed locations and USD $42.3 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 and for the full-year 2022, we saved approximately 214,000 and 895,000 trees, respectively, through our paper recycling services.

We also continually 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, including 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 $205,000 to support cancer research, including 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, remain 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 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, 2022 and 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 April 21, 2023.

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 COVID-19 and other pandemics and their 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 conditions in certain regions of the United States;
   e. the level of corporate overhead;
   f. the availability of resources, including vehicles and people;

g. the level of inflation and potential impact on interest rates 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 MD&A. 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 include both paper and product shredding sales, but do not include recycling sales, Secure e-Cycle 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 disposal of tangible assets. A reconciliation between net income and consolidated EBITDA is included on page 25.

- **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 25.

- **Consolidated Operating Income less Net Interest Expense** is defined as consolidated operating income including interest income and expense. A reconciliation between net income and consolidated operating income less net interest expense is included on page 25.

- **Corporate Location EBITDA** is defined as earnings 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 net interest expense.

- **Corporate Location Operating Income less Net Recycling** is the corporate location operating income excluding the impact of corporate location recycling sales, net of paper baling costs.

- **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 – this performance measure assesses 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, right-of-use assets, and secure collection containers.

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

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 net recycling revenue growth – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices and baling paper costs.

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. 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 the Company's ability to drive operating income 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.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
4.	Baltimore, MD	Baltimore and Washington, DC	November 2007
5.	Orange County, CA	Orange County	September 2009
6.	San Diego, CA	San Diego	October 2010
7.	Indianapolis, IN	Greater Indianapolis area	June 2011
8.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
9.	Dallas, TX	Dallas and Fort Worth	March 2012
10.	Houston, TX	Greater Houston area	November 2012
11.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
12.	Seattle, WA	Seattle and Tacoma	October 2013
13.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
14.	Minneapolis, MN	Minneapolis and St. Paul	February 2016
15.	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
15.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006 Corporately since November 1, 2022

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	**2022**	2021	*Change[a]*	**2022**	2021	*Change[a]*
System Sales Performance – in USD							
Total locations in the United States		**30**	30	*0%*	**30**	30	*0%*
Total system sales	(1)	**$18,219**	$14,155	*29%*	**$71,764**	$51,193	*40%*
% scheduled sales		***50%***	*47%*		***48%***	*48%*	
Consolidated Operating Performance							
Revenue		**$15,409**	$10,424	*48%*	**$57,226**	$36,199	*58%*
EBITDA	(2)	**$3,071**	$1,658	*85%*	**$15,318**	$9,191	*67%*
EBITDA margin		***20%***	*16%*	*400 bps*	***27%***	*25%*	*200 bps*
Operating income	(3)	**$1,203**	$413	*191%*	**$9,099**	$4,687	*94%*
Operating income margin		***8%***	*4%*	*400 bps*	***16%***	*13%*	*300 bps*
Operating income less net interest expense		**$528**	($48)	*1202%*	**$7,242**	$3,463	*109%*
Operating income per weighted average share fully diluted[d]	(8)	**$0.07**	$0.03	*133%*	**$0.50**	$0.29	*72%*
Government assistance not included in above[b]		**–**	–	–	**–**	$1,348	*(100)%*
Corporate Location Performance							
Revenue		**$14,850**	$9,946	*49%*	**$55,020**	$34,201	*61%*
EBITDA		**$4,697**	$3,003	*56%*	**$20,257**	$12,362	*64%*
EBITDA margin		***32%***	*30%*	*200 bps*	***37%***	*36%*	*100 bps*
Operating income	(4)	**$2,866**	$1,780	*61%*	**$14,139**	$7,949	*78%*
Operating income margin		***19%***	*18%*	*100 bps*	***26%***	*23%*	*300 bps*
Operating income less net recycling	(5)	**$22**	$332	*(93)%*	**$3,482**	$3,842	*(9)%*

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

Capital Management

As of December 31,	KPI	2022	2021	Change[a]
Working capital[c]		**$8**	**$3,977**	*(100)%*
Debt to total assets ratio		**0.52**	**0.49**	*6%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	**1.82**	**1.57**	*16%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	**2.11**	**2.39**	*(12)%*

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 COVD-19 pandemic. In Q4 2021, the full amount received was forgiven. The Company also qualified for the Canadian Emergency Wage Subsidy ("CEWS") in Canada.
c) Working Capital represents the excess of the Company's current assets over its current liabilities.
d) On August 23, 2022, the Company consolidated its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every five (5) pre-consolidation common shares issued and outstanding. All figures presented in this MD&A, including comparative figures, for common shares, warrants, and options, and for per share amounts have been adjusted to reflect this share consolidation.

Summary of Q4 Results and Operations

Revenue Growth in Q4-2022

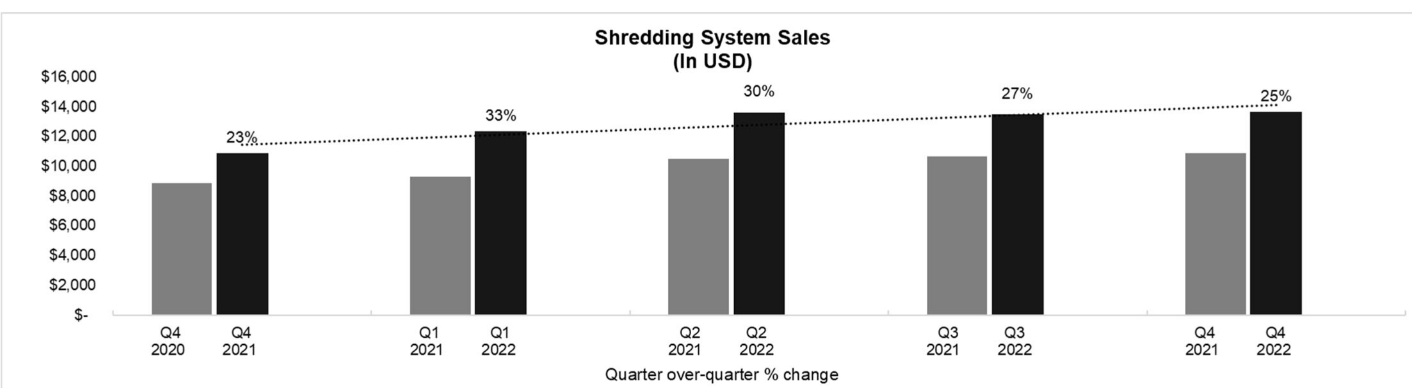
The Company achieved 48% total revenue growth and 42% total revenue growth in constant currency during Q4-2022 versus Q4-2021 primarily due to the following:

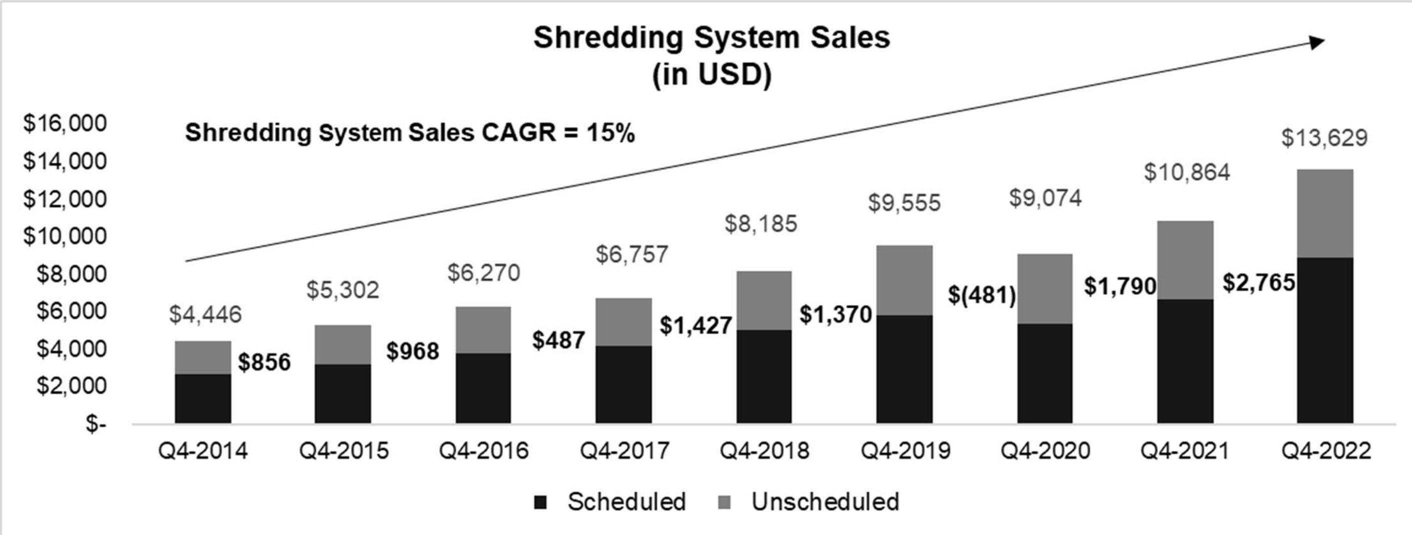
(1) the acquisitions conducted during the last 12 months;
(2) the organic sales growth due to:
    a. the recovery of the economy and the easing of COVID-19 restrictions; and
    b. the addition of new client accounts;
(3) higher recycling revenue from increased tonnage and higher recycled paper prices.

Q4-2022 System Sales Continued to Grow

Shredding system sales in Q4-2022 grew versus Q4-2021, from both franchise and corporate location organic and acquisition related growth. The growth in sales was as follows:

For the three months ended December 31,	2022 vs. 2021
Scheduled system sales	33%
Unscheduled system sales	13%
Shredding system sales	25%

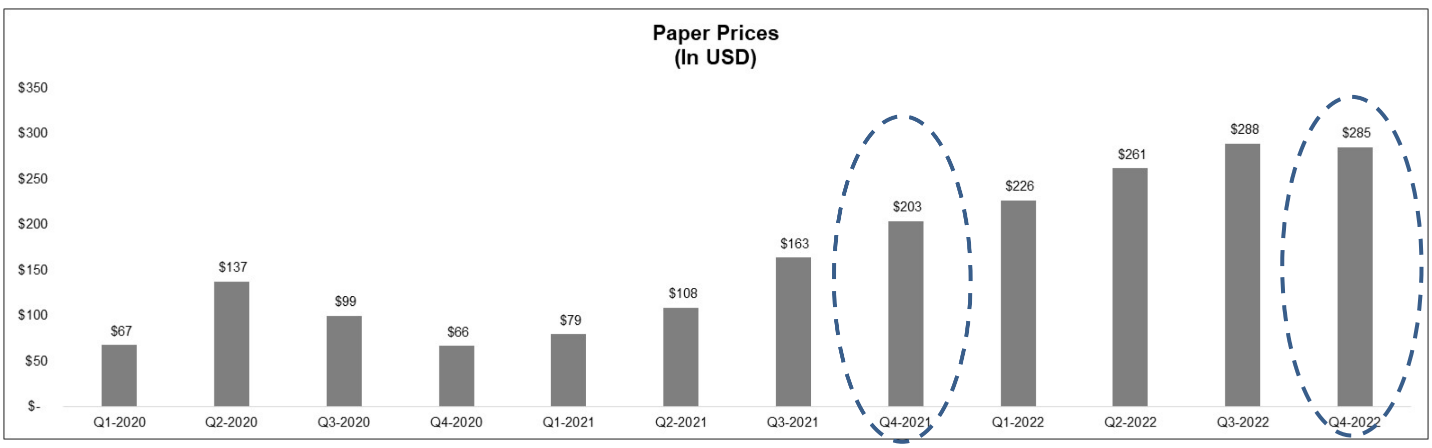




Note: The bolded figures next to the bar charts above refer to the year over year growth in total shredding system sales. Compound Annual Growth Rate ("CAGR") refers to the growth rate of a metric, such as revenue, EBITDA or cash if it had grown at the same rate every year.

Recycling system sales grew by 57% in Q4-2022 versus Q4-2021 as paper tonnage increased by 12% and the average paper price in the Proshred system increased by 40% over this period.

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



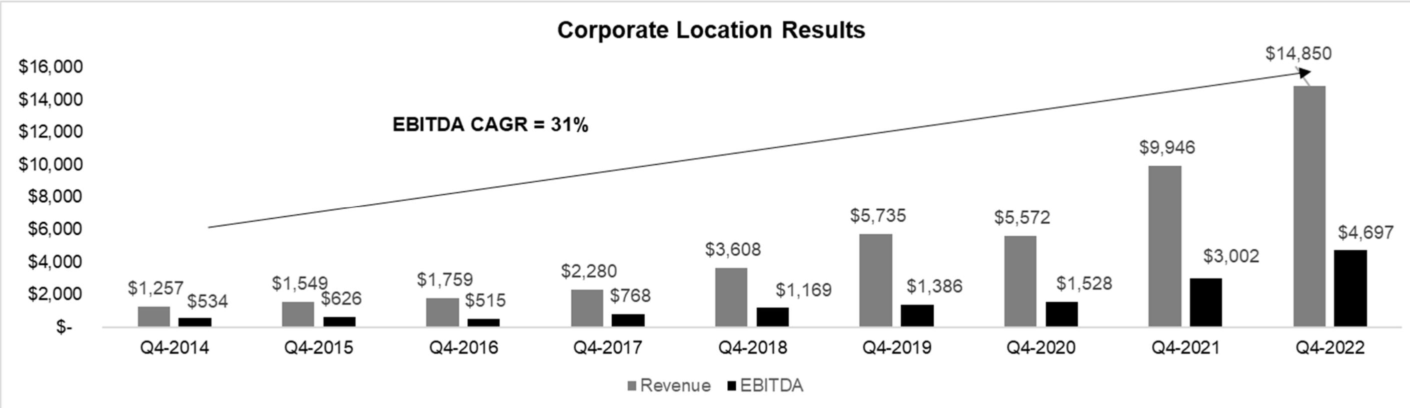
The Company has invested in generating more paper recycling revenue, now having four (4) locations that bale paper, from only two (2) locations throughout much of 2021. There is a premium the Company receives for recycling baled paper compared to traditional loose paper sold to intermediaries.

Strong Same Corporate Location EBITDA Growth

The Company achieved 43% growth in same corporate location EBITDA. Constant currency EBITDA growth was 32% compared to Q4-2021. The EBITDA growth was driven by the following factors:

(1) increased paper tonnage and prices;
(2) new scheduled shredding service clients added; and
(3) continued demand for unscheduled shredding services.

This EBITDA growth was partially offset by higher input costs, including higher fuel prices and higher driver wages caused by wage inflation. In response, the Company implemented price increases in Q3 2022.



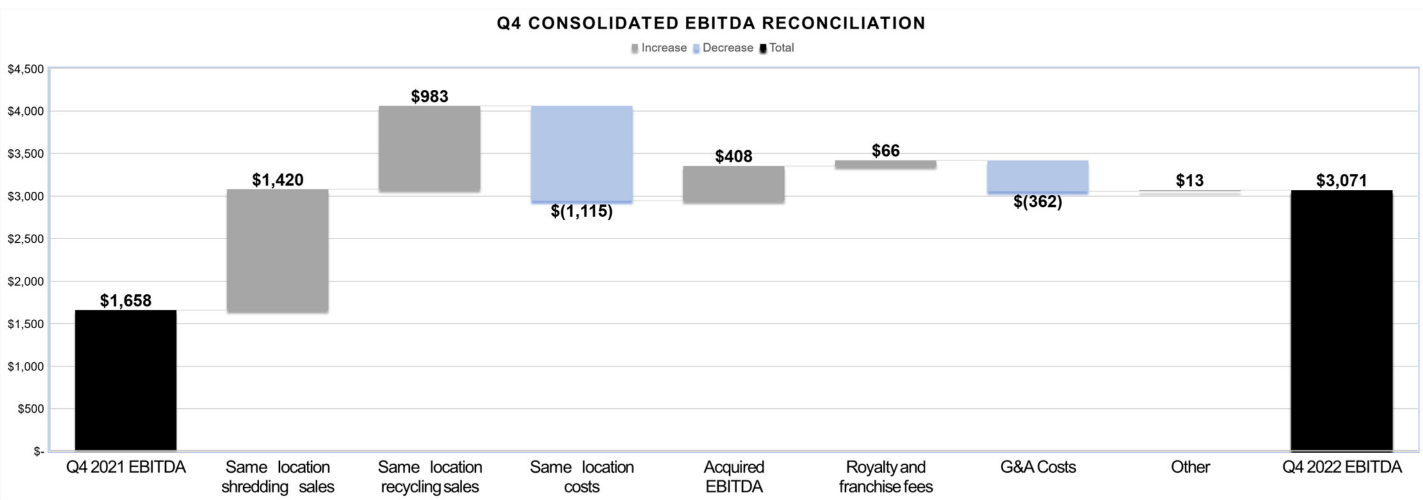
Continued Corporate Footprint Growth from Acquisitions

In Q4-2022, the Company acquired the Proshred Philadelphia franchise. Proshred Philadelphia generated USD$2.8 million and USD$2.2 million in revenue in 2021 and 2020, respectively, with 2021 and 2020 results both being impacted by the COVID-19 pandemic. Since being acquired on November 1, 2022, Proshred Philadelphia has generated revenue of USD$0.6 million.

Strong Consolidated EBITDA Growth

The Company's consolidated EBITDA was $3,071, or 85% higher, in Q4-2022 when compared to Q4-2021, driven by:

(1) acquired EBITDA from the acquisitions completed over the last 12 months; and
(2) same corporate location EBITDA growth, driven by new client acquisitions and increased paper prices versus 2021.



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

Strategic Targets

1. Growth of Same Location Shredding System Sales:	
2022 Target	Same location shredding system sales growth of 10% to USD$45M.
2022 Performance	***The target was exceeded.*** Same location shredding system sales grew by 18% to USD$49M.
2023 Target	Same location shredding system sales growth to USD$57M.
Longer-term target	Growth averaging over 8% per year.
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.
2022 Performance	***The target was exceeded.*** Same location EBITDA grew 39% to $17.2M, and same location operating income grew 57% to $12.4M.
2023 Target	Growth in same location EBITDA to $22.1M and growth in same location operating income to $15.6M, with same location EBITDA and operating income margins of 36% and 26%, respectively.
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 Corporate Locations:	
2022 Target	EBITDA margin of at least 30% and operating income margin of at least 20% before transition and acquisition costs.
2022 Performance	***The target was exceeded***. The EBITDA and operating income margins, before transition and acquisition costs, from acquired operations were 36% and 22%, respectively.
2023 Target	EBITDA margin of at least 35% 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 35% and 20%, respectively.

4. Expand by way of Accretive Acquisitions:	
2022 Target	Add USD$4M to USD$5M in revenue by way of accretive acquisitions.
2022 Performance	***The target was exceeded.*** The Company completed the acquisition of the assets of Proshred Philadelphia, Tech Shredders LLC ("Tech Shredders"), Mobile Document Destruction ("MDD") and Safeguard Document Destruction ("SDD") in 2022. In prior year 2021, these companies, in aggregate, generated revenue of USD$5.3M.
2023 Target	Add USD$5M to USD$6M in revenue by way of accretive acquisitions.
Longer-term target	Add, in aggregate, USD$5M to USD$6M in revenue per year by way of acquisitions of both existing franchise locations, and independent shredding and scanning businesses.

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

5. Improve Operating Leverage[1]:	
2022 Target	G&A costs at 12% of total revenue.
2022 Performance	***This target was met***. G&A costs were 12% of total revenue.
2023 Target	G&A costs at 12% of total revenue.
Longer-term target	G&A costs at 10% of total revenue.

(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 Robust

The Company continues to see an increase in marketing leads for both scheduled and unscheduled services. The Company's experienced sales force looks to close these leads at increasing conversion rates, contributing to top-line growth.

The Company is also continuing to see interest in its scanning services, as businesses look to digitize their physical paper documents securely and conveniently. Scanning services for larger customers, including for government customers, is in part dictated by timing and approval of customer budgets, which impacts when the Company performs the services. The Company will continue to leverage marketing efforts to tap into this market.

Recycling Revenue

The following outlines the Q1-2023 average paper price estimated based on January to March 2023 paper pricing:

	Q4-2022	**Q1-2023 Estimate**	*% Change*
Average price (in USD)	$285	$252	*(12)%*

Future Growth Opportunities through Accretive Acquisitions

Development by way of acquisitions remains a key component of Redishred's long-term growth strategy. The Company is in discussions with acquisition targets and actively seeks 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 cash on hand, contingent consideration payable in cash, debt financings, and equity financings, if required.

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 secure 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, Secure e-Cycle electronic waste sales and scanning sales. Same location system sales excludes sales from locations that were not in the system in the comparative period.

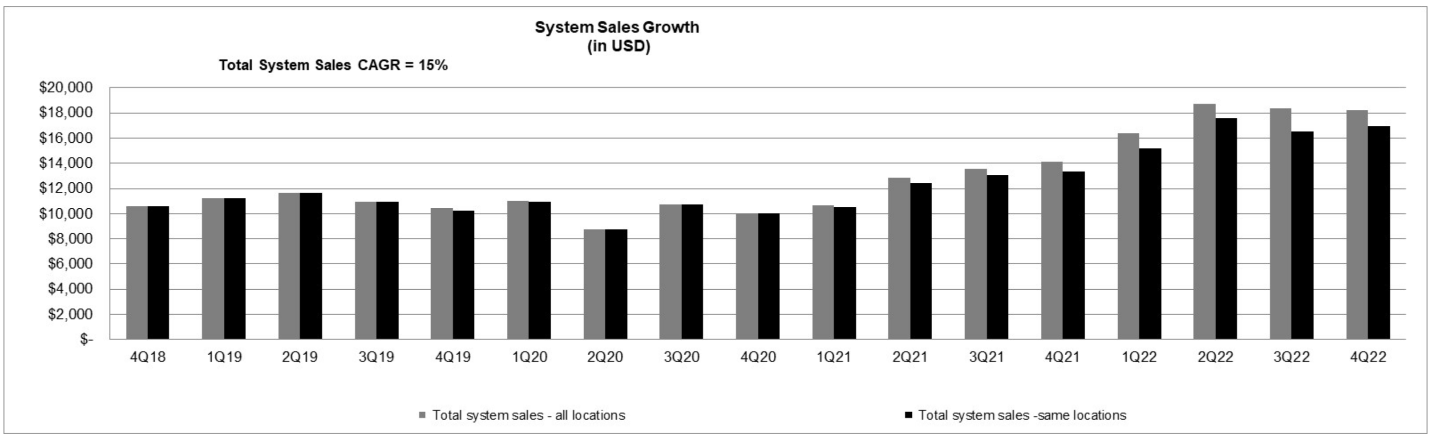
Dollar amounts in thousands of Canadian dollars (except as noted)

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,		
	2022	2021	*%Change*	**2022**	2021	*%Change*
Total U.S. operation locations at period end	**30**	30	*0%*	**30**	30	*0%*
Total system sales (USD)	**$18,219**	$14,155	*29%*	**$71,764**	$51,193	*40%*
Total same location system sales (USD)	**$16,929**	$14,155	*20%*	**$65,893**	$51,193	*29%*

System Sales Trend:

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



System Sales Breakdown:

The system sales mix in USD for the three months and year ended December 31, 2022 and 2021 is as follows:

System sales in USD For the three months ended December 31,	**2022**	2021	*%Change*
	$	$	
Scheduled	**8,896**	6,678	*33%*
Unscheduled	**4,733**	4,186	*13%*
Recycling	**4,053**	2,581	*57%*
Scanning	**262**	511	*(49)%*
Secure e-Cycle electronic waste	**275**	199	*38%*
Total System Sales	**18,219**	14,155	*29%*

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

System sales in USD For the year ended December 31,	**2022**	2021	*%Change*
	$	$	
Scheduled	**33,134**	24,731	*34%*
Unscheduled	**19,935**	16,560	*20%*
Recycling	**15,808**	7,511	*110%*
Scanning	**1,813**	1,589	*14%*
Secure e-Cycle electronic waste	**1,074**	802	*34%*
Total System Sales	**71,764**	51,193	*40%*

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 Q4-2022, scheduled sales grew 33% over Q4-2021 and reached a record high of USD$8.9 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 Q4-2022, unscheduled system sales grew 13% over Q4-2021, driven by a growing customer base and large one-time customer requirements.

Recycling sales:

Recycling sales are defined as the revenue generated from 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.

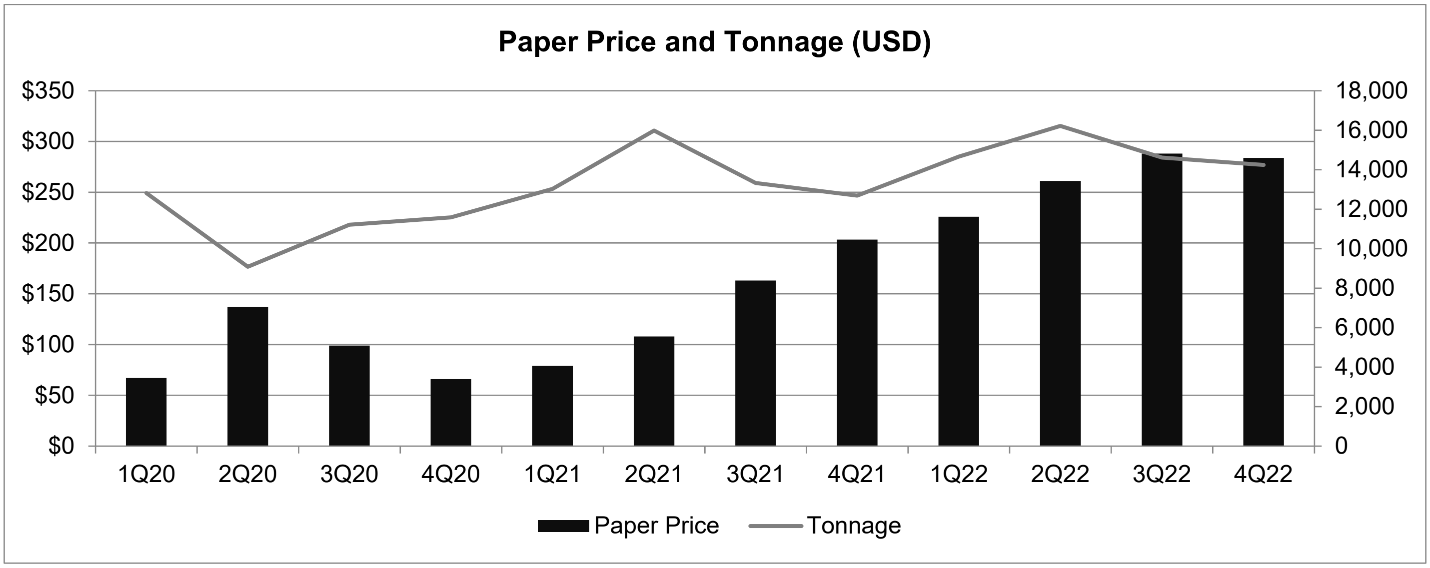
	For the three months ended December 31,			**For the year ended December 31,**		
	2022	2021	*% Change*	**2022**	2021	*% Change*
Recycling system sales (USD)	**$4,053**	$2,581	*57%*	**$15,808**	$7,511	*110%*
Tonnage processed (units)	**14,236**	12,688	*12%*	**59,719**	55,015	*9%*
Average paper price per ton	**285**	203	*40%*	**265**	137	*94%*

The Proshred system saved approximately 214,000 trees during Q4-2022 (190,000– during Q4-2021), from the tonnage processed during the period. (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)

The following chart illustrates tonnage processed and average paper price per ton, in USD, by quarter since the first quarter of 2020:



<u>Secure e-Cycle electronic waste sales:</u>

Secure e-Cycle branded electronic waste sales are defined as the revenue generated from the disposal of client's electronic waste and/or products by way of this service offering in the Company's Kansas City market, servicing the Midwestern United States. In Q4-2022, Secure e-Cycle electronic waste sales grew 38% over Q4-2021, as customers resumed recycling their electronic waste, which in some instances, was halted during the COVID-19 pandemic.

	For the three months ended December 31,			**For the year ended December 31,**		
	2022	2021	*% Change*	**2022**	2021	*% Change*
Secure e-Cycle electronic waste sales (USD)	**275**	199	*38%*	**1,074**	802	*34%*

<u>Scanning sales:</u>

Scanning sales are defined as the revenue generated from customers who have documents requiring scanning and indexing to digitize and store electronically. The Company currently provides scanning services in its Massachusetts, Charlotte, and Richmond markets. In Q4-2022, scanning sales decreased by 49% over Q4-2021, primarily due to the timing of new scanning projects.

	For the three months ended December 31,			**For the year ended December 31,**		
	2022	2021	*% Change*	**2022**	2021	*% Change*
Scanning sales (USD)	**262**	511	*(49)%*	**1,813**	1,589	*14%*

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

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 Q4-2022, royalty and services fees decreased by 15% over Q4-2021. With the acquisition of the Richmond franchise in Q2-2021, Atlanta franchise in Q3-2021 and the Philadelphia franchise in Q4-2022, 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 15% and 24% during the three months and year ended December 31, 2022, respectively, compared to the same periods in 2021.

Royalties, license, and service fees

	Total Franchise Locations			Same Franchise Locations		
For the three months ended December 31,	**2022**	2021	*% Change*	**2022**	2021	*% Change*
Total number of franchisees operating at period end	**15**	16	*(6)%*	**15**	15	*0%*
In USD:						
Royalty, license and service fees	**$363**	$426	*(15)%*	**$363**	$316	*15%*

	Total Franchise Locations			Same Franchise Locations		
For the twelve months ended December 31,	**2022**	2021	*% Change*	**2022**	2021	*% Change*
Total number of franchisees operating at period end	**15**	16	*(6)%*	**15**	15	*0%*
In USD:						
Royalty, license and service fees	**$1,517**	$1,781	*(15)%*	**$1,517**	$1,223	*24%*

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 the 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 $223 as at December 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 and year ended December 31, 2022, the Growth Fund had a net loss of $51 (three months ended December 31, 2021 - $55 net loss) and $309 (year ended December 31, 2021 - $166 net loss), respectively.

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

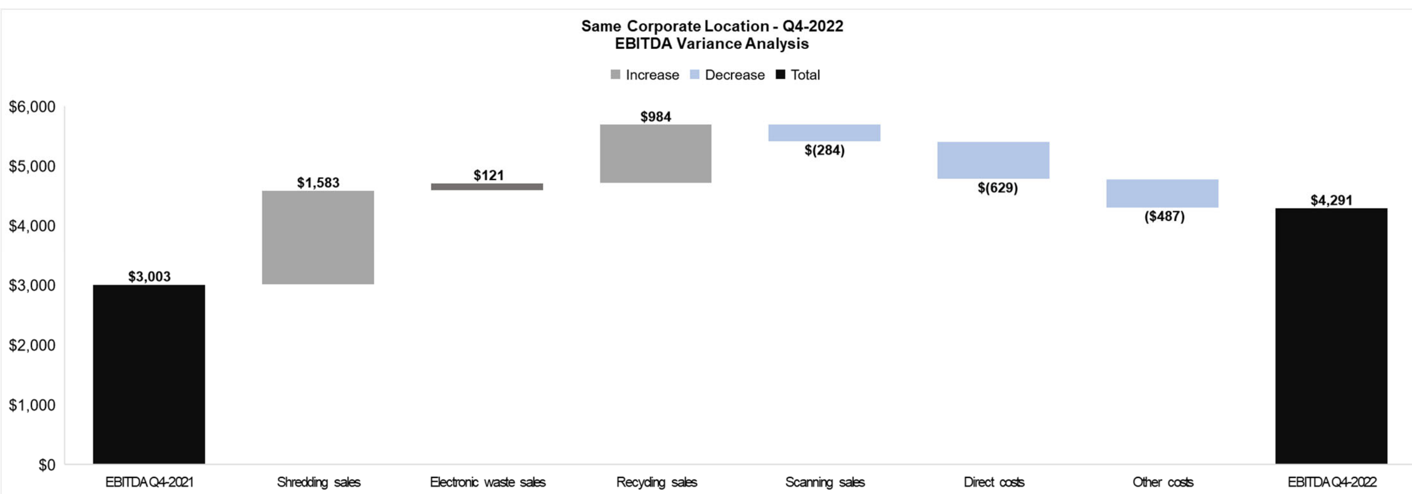
Corporate Location Results – For the three months ended December 31

As at December 31, 2022, the Company operated fifteen 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 results for the months of October and November 2022 for American Shredding which was acquired on December 1, 2021, and the results of all acquisitions completed in 2022.

Total corporate location revenue and EBITDA grew by 49% and 56%, respectively, in Q4-2022 versus Q4-2021 due to the acquisitions completed over the past twelve months, organic growth from same locations, and higher paper prices. Total EBITDA margin increased over this period to 32% in Q4-2022 compared to 30% in Q4-2021.

During Q4-2022, same corporate location shredding revenue and EBITDA grew 21% and 43%, respectively, over Q4-2021.

For the three months ended December 31, 2022	Quarter-over-quarter growth	Constant currency quarter-over-quarter growth
Same Corporate Locations:		
Total Sales	24%	15%
EBITDA	43%	32%
Operating Income	57%	45%
Total Corporate Locations:		
Total Sales	49%	39%
EBITDA	56%	44%
Operating Income	61%	47%



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

For the 3 months ended December 31,	**Total Corporate Locations**			**Same Corporate Locations**			**Non-same Corporate Locations**	
	2022	2021	*% Change*	**2022**	2021	% Change	**2022**	2021
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**10,958**	7,491	*46%*	**9,074**	7,491	*21%*	**1,884**	-
Secure E-cycle electronic waste sales	**372**	251	*48%*	**372**	251	*48%*	-	-
Scanning sales	**360**	644	*(44)%*	**360**	644	*(44)%*	-	-
Recycling sales	**3,160**	1,560	*103%*	**2,544**	1,560	*63%*	**616**	-
Total sales	**14,850**	9,946	*49%*	**12,350**	9,946	*24%*	**2,500**	-
Operating costs [(1)]	**10,153**	6,943	*46%*	**8,059**	6,943	*16%*	**2,094**	-
EBITDA	**4,697**	3,003	*56%*	**4,291**	3,003	*43%*	**406**	-
% of revenue	***32%***	*30%*	*200 bps*	***35%***	*30%*	*500 bps*	***16%***	
Depreciation – tangible assets	**1,831**	1,223	*50%*	**1,500**	1,223	*23%*	**331**	-
Operating income	**2,866**	1,780	*61%*	**2,791**	1,780	*57%*	**75**	-
% of revenue	***19%***	*18%*	*100 bps*	***23%***	*18%*	*500 bps*	***3%***	
Operating income less net recycling	**22**	332	*(94)%*	**434**	332	*30%*	**(412)**	-
% of revenue excluding recycling	***0%***	*4%*	*(400) bps*	***4%***	*4%*	*- bps*	***(21)%***	
EBITDA – in USD	**3,438**	2,380	*44%*	**3,142**	2,380	*32%*	**296**	-
% of revenue	***31%***	*30%*	*100 bps*	***34%***	*30%*	*400 bps*	***16%***	

Note 1: During the three months ended December 31, 2022, acquisition/vendor-related consulting fees of $236 (three months ended December 31, 2021- $167) are included in the total and non-same operating costs.

The Company's non-same corporate location EBITDA and operating income margins are lower than equivalent measures for the Company's same corporate locations, as the Company expects to realize further synergies from recently completed acquisitions, in particular SDD and American Shredding, from further route densification and optimization.

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

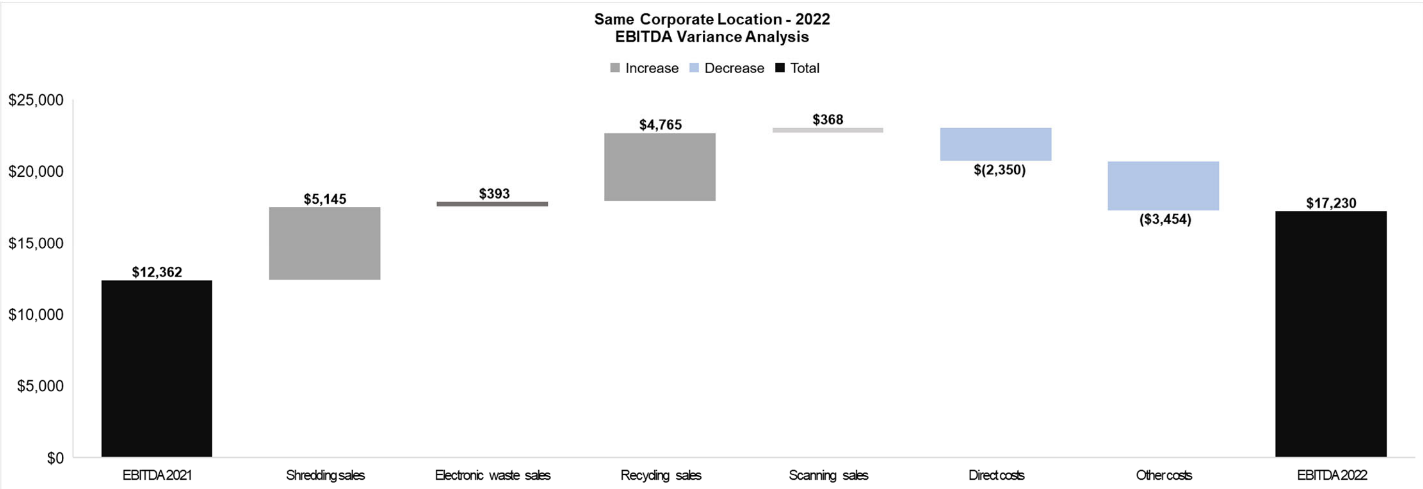
Corporate Location Results - For the year ended December 31

Same corporate location results include all locations except for:

(1) The results for Proshred Richmond for the period January to April 2022, as the Richmond location was acquired on May 1, 2021;
(2) The results for Proshred Atlanta for the period January to July 2022, as the Atlanta location was acquired on July 30, 2021;
(3) The results of American Shredding for the period January to November 2022, as American Shredding was acquired on December 1, 2021; and
(4) The results of all acquisitions completed in 2022.

Total corporate location revenues and EBITDA each grew by 61% and 64%, respectively, during the year ended December 31, 2022, as compared to the same period in 2021. The growth was due to the acquisitions conducted over the last 12 months and organic growth from same corporate locations. Total EBITDA margin for the year ended December 31, 2022 increased by 100 bps to 37% compared to the same period in 2021.

For the year ended December 31, 2022	Year-over-year growth	Constant currency year-over-year growth
Same Corporate Locations:		
Total Sales	31%	26%
EBITDA	39%	34%
Operating Income	57%	51%
Total Corporate Locations:		
Total Sales	61%	55%
EBITDA	64%	58%
Operating Income	78%	71%



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,	**2022**	2021	*% Change*	**2022**	2021	% Change	**2022**	2021
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**39,612**	26,787	*48%*	**31,932**	26,787	*19%*	**7,680**	-
Secure e-Cycle electronic waste sales	**1,398**	1,005	*39%*	**1,398**	1,005	*39%*	**-**	-
Scanning sales	**2,360**	1,992	*18%*	**2,360**	1,992	*18%*	**-**	-
Recycling sales	**11,650**	4,418	*164%*	**9,182**	4,418	*108%*	**2,468**	-
Total sales	**55,020**	34,201	*61%*	**44,872**	34,201	*31%*	**10,148**	-
Operating costs[1]	**34,763**	21,839	*59%*	**27,642**	21,839	*27%*	**7,121**	-
EBITDA	**20,257**	12,362	*64%*	**17,230**	12,362	*39%*	**3,027**	-
% of revenue	***37%***	*36%*	*100 bps*	***38%***	*36%*	*200 bps*	***30%***	
Depreciation – tangible assets	**6,118**	4,413	*39%*	**4,772**	4,413	*8%*	**1,346**	-
Operating income	**14,139**	7,949	*78%*	**12,458**	7,949	*57%*	**1,681**	-
% of revenue	***26%***	*23%*	*300 bps*	***28%***	*23%*	*500 bps*	***17%***	
Operating income less net recycling	**3,482**	3,842	*(9)%*	**3,781**	3,842	*(2)%*	**(299)**	-
% of revenue excluding recycling	***8%***	*13%*	*(500)bps*	***10%***	*13%*	*(300) bps*	***(4)%***	
EBITDA – in USD	**15,567**	9,861	*58%*	**13,232**	9,861	*34%*	**2,335**	-
% of revenue	***37%***	*36%*	*100 bps*	***38%***	*36%*	*200 bps*	***30%***	

Note 1: During the year ended December 31, 2022, acquisition/vendor-related consulting fees of $603 (year ended December 31, 2021- $331) are included in the total and non-same operating costs.

Acquisitions

The Company completed the following acquisitions during 2022:

(1) the Proshred Philadelphia business from its franchisee on November 1, 2022;
(2) Tech Shredders, a New Jersey based electronic waste recycling and hard drive shredding business on August 1, 2022;
(3) SDD, a shredding business with operations in New Jersey and Florida, on June 1, 2022, and
(4) MDD, an Illinois-based shredding business, on March 1, 2022.

These acquisitions have been accretive to the Company's EBITDA and cash flows.

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.

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

G&A expenses for the three months and year ended December 31, 2022, increased by 21% and 38%, respectively, compared to the same periods in 2021. As a percentage of revenue, G&A expenses have decreased from 16% and 13% of revenue for the three months and year ended December 31, 2021, respectively, to 13% and 12% of revenue for the year ended December 31, 2022.

In 2021, the Company had maintained reduced G&A expenditures to mitigate against the negative impacts that COVID-19 had on the Company's revenues. The Company has since 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 the year ended December 31, 2022, include accounting fees for quarterly reviews and annual audit, tax services, and other advisory services. Other expenses incurred during the three months and year ended December 31, 2022 include travel costs for business development which increased over the prior comparative periods as travel restrictions eased.

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,		
	2022	2021	*% Change*	**2022**	2021	*% Change*
	$	$		**$**	$	
Salaries and benefits	**733**	728	*1%*	**2,867**	2,318	*24%*
Stock based compensation	**84**	45	*86%*	**302**	117	*158%*
Acquisition costs(1)	**63**	89	*(29)%*	**247**	182	*36%*
Professional fees	**247**	257	*(4)%*	**920**	697	*32%*
Technology	**247**	144	*72%*	**669**	495	*35%*
Other expenses	**695**	454	*53%*	**1,600**	977	*64%*
Total selling, general and administrative expenses(2)	**2,070**	1,717	*21%*	**6,605**	4,786	*38%*
As a percentage of total revenue	***13%***	*16%*	*(300) bps*	***12%***	*13%*	*(100) bps*

(1) Acquisition costs incurred during the three months and year ended December 31, 2022 relate primarily to the legal costs incurred in connection with the four acquisitions conducted during the year.
(2) Does not include Growth Fund expenses.

Other Income and Expenses

Government Assistance

In February and March 2021, the Company qualified for and received $1,299 in forgivable loan funding under the U.S. Paycheck Protection Program ("PPP"). The PPP forgivable loan was made available by the U.S. Small Business Administration to eligible U.S. businesses that had been affected by the COVID-19 pandemic. The forgiveness criteria for the entire PPP loan was met by the Company and as a result, the funding received was recorded as government assistance in the statement of comprehensive income for the year ended December 31, 2021.

The Company also qualified for and received $49 under the Federal Government of Canada's Canadian Emergency Wage Subsidy program ("CEWS Program") for the year ended December 31, 2021. The amounts received under the CEWS Program were recorded as government assistance in the statement of comprehensive income for the year ended December 31, 2021.

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

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 significantly less than budgeted, profits are significantly 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, 2022 or December 31, 2021 to warrant an analysis to be performed. Goodwill is tested for impairment at least annually. The Company performed its annual impairment on December 31, 2022, 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, 2021- nil).

Amortization – Corporate locations

Amortization of intangible assets primarily relates to intangible assets purchased by way of acquisitions. The increase in amortization is primarily due to acquisitions completed in the past twelve months and amortization of intangibles acquired as part of the American Shredding acquisition.

	For the three months ended December 31,			For the year ended December 31,		
	2022	2021	% Change	**2022**	2021	% Change
	$	$		**$**	$	
Amortization – intangible assets	**959**	764	*25%*	**3,373**	2,708	*25%*

Contingent Consideration

The Company has earn-out payments owing for acquisitions completed that are contingent on certain earn-out targets being met. During the three months and year ended December 31, 2022, the Company recorded a remeasurement gain of $5 and $122, respectively, on contingent consideration (three months and year ended December 31, 2021- remeasurement gain of $26 and remeasurement loss of $227, respectively).

As at December 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**
December 31, 2020 to November 1, 2022	USD$0 to USD$7,205	CAD$3,708 USD$2,738	CAD$1,760 USD$1,300	March 1, 2023 to June 1, 2027

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 year ended December 31, 2022 average exchange rate is up 4% versus the comparative period in 2021.

Exchange rates utilized

1 USD:CAD	**2022**				**2021**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Average rate	1.30	1.28	1.27	1.27	1.25	1.25	1.25	1.27
Close rate	1.35	1.37	1.29	1.25	1.27	1.27	1.24	1.25

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

	For the three months ended December 31,			For the year ended December 31,		
	2022	2021	% Change	**2022**	2021	% Change
	$	$		**$**	$	
Foreign exchange (loss) gain	**(664)**	(85)	678%	**3,382**	(200)	1791%

Gain on disposition of tangible assets

The Company disposed of certain shredding vehicles during the year ended December 31, 2022 for proceeds of $369 and recognized a resultant gain on disposition of these tangible assets of $158 (for the year ended December 31, 2021 proceeds of $1,014 and resultant gain on disposition of $394), with the gain recognized in the Company's consolidated statement of comprehensive income.

Interest income and expense

Interest income is derived primarily from cash savings accounts held by the Company.

Interest expense for the three months and year ended December 31, 2022 relates to the following:

(1) the Company's fixed rate term loans which currently bear interest ranging from 2.99% to 7.47% per annum;
(2) truck loan agreements, which bear interest at 3.92% to 8.37% per annum;
(3) interest on the Company's lease liabilities; and
(4) non-cash interest accretion on the Company's contingent consideration owing.

Interest expense increased during the three months and year ended December 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) 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 December 31,			For the year ended December 31,		
	2022	2021	*% Change*	**2022**	2021	*% Change*
	$	$		**$**	$	
Interest income	**36**	2	*1694%*	**47**	13	*262%*
Interest expense[(a)]	**(711)**	(463)	*54%*	**(1,904)**	(1,236)	*54%*

(a) Includes non-cash interest accretion on contingent consideration owing for the three months and year ended December 31, 2022 of $140 and $424, respectively (three months and year ended December 31, 2021- $29 and $213, respectively).

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

Income Tax

The Company has incurred Canadian non-capital losses of $2,625 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 $14,524 that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times commencing December 31, 2023.

Reconciliation of EBITDA to Net Income

	For the three months ended December 31,			For the year ended December 31,		
	2022	2021	*% Change*	**2022**	2021	*% Change*
	$	$		**$**	$	
EBITDA	**3,071**	1,658	*85%*	**15,318**	9,191	*67%*
Less: depreciation – tangible assets	**(1,868)**	(1,245)	*50%*	**(6,219)**	(4,504)	*38%*
Operating income	**1,203**	413	*191%*	**9,099**	4,687	*94%*
Less: interest expense	**(711)**	(463)	*54%*	**(1,904)**	(1,236)	*54%*
Add: interest income	**36**	2	*1694%*	**47**	13	*262%*
Operating income less net interest expense	**528**	(48)	*1197%*	**7,242**	3,464	*109%*
Less: amortization – intangible assets	**(959)**	(764)	*25%*	**(3,373)**	(2,708)	*25%*
Add: other income	**95**	56	*70%*	**95**	56	*70%*
Add: gain on disposition of tangible assets	**107**	386	*(72)%*	**158**	394	*(60)%*
Add/(deduct): remeasurement of contingent consideration	**5**	26	*(81)%*	**122**	(227)	*154%*
Add: government assistance	**-**	7	*(100)%*	**-**	1,348	*(100)%*
(Loss) income before foreign exchange and income tax	**(224)**	(338)	*(34)%*	**4,244**	2,327	*82%*
Add/(deduct): foreign exchange gain (loss)	**(664)**	(85)	*678%*	**3,382**	(200)	*1791%*
Less: income tax expense	**(211)**	(370)	*(43)%*	**(1,752)**	(769)	*128%*
Net (loss) income	**(1,099)**	(793)	*38%*	**5,874**	1,358	*333%*

Selected Annual Information

	2022	**2021**	**2020**
	$	$	$
Revenue	57,226	36,199	25,437
Net income	5,874	1,358	276
Operating income less net interest expense per share – diluted	0.40	0.22	0.09
Net income per share – basic	0.32	0.09	0.02
Net income per share – diluted	0.32	0.08	0.02
Total assets	97,811	79,334	58,688
Total non-current liabilities	33,836	27,650	20,232
Dividends	-	-	-

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

Selected Quarterly Results

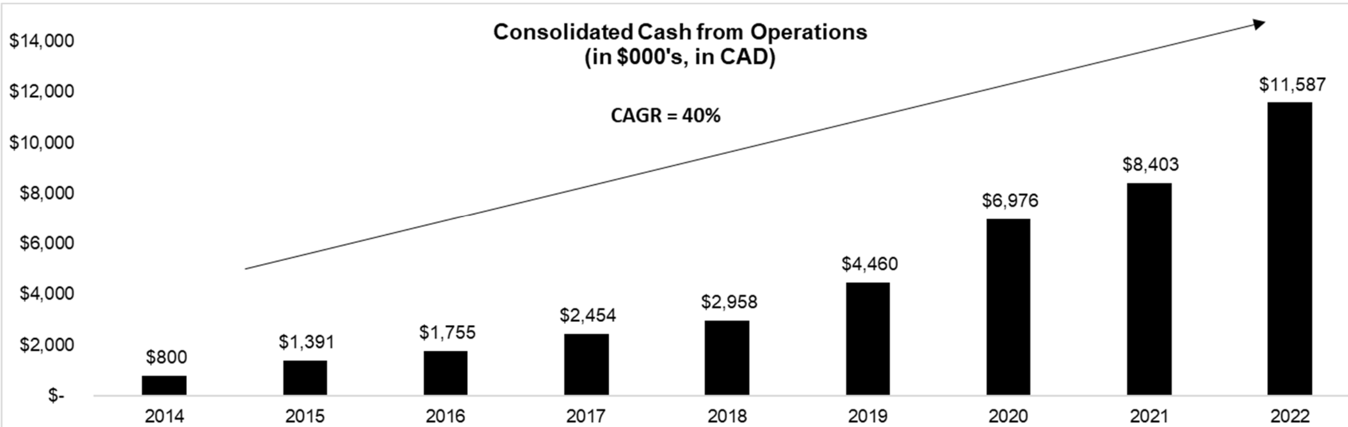
As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company's unscheduled shredding in Q2 and Q3 typically tends to be 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.

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Total system sales (USD)	18,219	18,388	18,748	16,409	14,150	13,544	12,817	10,682
Consolidated Performance								
Revenue	15,409	14,703	14,597	12,517	10,424	9,785	8,677	7,313
EBITDA	3,071	3,641	4,540	4,066	1,658	2,857	2,622	2,054
Operating Income	1,203	2,014	3,150	2,732	412	1,710	1,544	1,021
Operating income per weighted average share fully diluted	0.07	0.11	0.17	0.15	0.03	0.11	0.10	0.07
Income (loss) income before taxes from continuing operations	(888)	4,229	3,497	788	(423)	1,547	62	941
Net income (loss)	(1,099)	3,887	2,813	273	(793)	1,605	(410)	956
Basic and diluted net income (loss) per share	(0.06)	0.21	0.15	0.02	(0.05)	0.10	(0.05)	0.05
Corporate Location Performance								
Revenue	14,850	14,137	14,038	11,995	9,946	9,273	8,177	6,805
EBITDA	4,697	4,915	5,717	4,928	3,003	3,707	3,249	2,403
Operating Income	2,866	3,306	4,351	3,616	1,780	2,579	2,195	1,395

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,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Net cash provided by operations	2,937	2,080	11,587	8,403
Net cash provided by financing activities	3,667	14,300	2,140	13,334
Net cash used in investing activities	(10,720)	(7,914)	(16,861)	(15,014)
Effect of foreign exchange rate changes	(168)	137	170	93
Change in cash	(4,284)	8,603	(2,964)	6,816
Cash, beginning of period	10,980	1,057	9,660	2,844
Cash, end of period	**6,696**	**9,660**	**6,696**	**9,660**

For the three months and year ended December 31, 2022, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During the three months and year ended December 31, 2022, cash was provided by financing activities with the Company financing shredding truck purchases and partially financing acquisitions completed, which was partially offset by cash used in financing activities to repay term and truck loans, lease liabilities, and contingent consideration owing. Cash used in investing activities during the three months and year ended December 31, 2022, was primarily to pay for acquisitions completed and to purchase tangible and intangible assets, partially offset by proceeds received from the disposal of shredding vehicles.

As at December 31,	**2022**	2021	*% Change*
Working capital	**$8**	$3,977	*(100)%*
Total assets	**$97,811**	$79,334	*23%*
Total non-current liabilities	**$33,836**	$27,650	*22%*
Total liabilities	**$50,530**	$38,974	*30%*
Debt to total assets ratio	**0.52**	0.49	*6%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.82**	1.57	*16%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.11**	2.39	*(12)%*

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

The decrease in working capital as at December 31, 2022, was primarily driven by the use of cash to fund acquisitions completed and an increase in the current portion of long-term debt and contingent consideration attributable to acquisitions completed, partially offset by an increase in trade and other receivables.

The increase in total assets as at December 31, 2022 was driven by higher receivables, purchased shredding trucks, and intangibles acquired as part of business acquisitions completed.

The increase in total non-current and total liabilities as at December 31, 2022 was due to the financing of shredding trucks purchased in 2022 and to partially finance the Proshred Philadelphia acquisition, and the leasing of new office and warehouse facilities.

As at December 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 re-advanceable term loan in the amount of $26 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.

The Company has borrowed the following amounts under the non-revolving re-advanceable term loan facility as at December 31, 2022 and December 31, 2021:

Month of Advance	Initial Amount	Interest per annum	Amortization period	December 31, 2022 balance	December 31, 2021 balance
	$			$	$
May, 2019	6,003	3.50%	60 months	3,477	4,248
November, 2019	6,664	3.50%	84 months	4,319	5,157
March, 2020	2,688	2.99%	84 months	1,891	2,226
December, 2020	2,290	3.33%	84 months	1,700	1,990
August, 2021	854	3.69%	84 months	708	809
December, 2021	6,290	6.52%	84 months	6,083	6,290
November, 2022[(1)]	5,400	7.47%	84 months	5,349	-
Total				**23,527**	**20,720**

[(1)]Loan bears interest at the fixed rate of interest of 7.47% for a term of twenty-four (24) months from the date of origination of November 1, 2022.

As at December 31, 2022, the Company has $1.0 million available on its operating line of credit and $2.5 million available on its non-revolving re-advanceable 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.

Truck loans

In July 2022, the Company established a new USD$4.0 million line of credit for the purchase of shredding vehicles, which replaces the existing line of credit that the Company had with this lender. The interest rate on this facility is based on prevailing market rates at the time the line is used. As of December 31, 2022, the Company had USD$2.3 million available on this line of credit.

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

The Company has financed the purchase of shredding vehicles and as of December 31, 2022, the Company has an outstanding truck loan balance of $8.6 million.

Related party line of credit

The Company had a related party line of credit facility with a significant shareholder for a maximum amount of $2.0 million. The line of credit facility matured on July 16, 2022 and was not renewed.

Lease liabilities

The Company enters into leases in order to secure office and warehouse space. The Company has also entered into leases for the financing of shredding vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use ("ROU") asset and a lease liability.

Lease Liability	**Number of ROU assets leased**	**Range of remaining term**	**Range of interest rates**	**Lease balance as of December 31, 2022**
				$
Office and warehouse building	18	January 2023 to September 2023	4.75% to 8.00%	6,039
Shredding vehicles	4	September 2023 to June 2026	5.95% to 6.00%	222
Total				**6,261**

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	4,347	105	61	-
Long-term debt	1,944	4,895	22,126	2,847
Contingent consideration	1,017	2,691	1,760	-
Lease liabilities	376	1,125	4,455	305

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, 2022 and December 31, 2021, was $47,281 and $40,360, respectively.

Commitments

The Company leases office and warehouse space under lease agreements, and has obligations under its credit facilities. Please refer to the "Bank facilities", "Truck Loans" and "Lease liabilities" sections above for further details.

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, the Senior Vice President of Finance and Acquisitions, and the Board of Directors. Remuneration paid to key management personnel during the year ended December 31, 2022 and 2021 was as follows:

	2022	2021
	$	$
Wages and benefits	1,035	1,103
Share-based compensation	224	92
Total compensation of key management	1,259	1,195

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of $5 due from this franchise as at December 31, 2022 (December 31, 2021 - $4). During the year ended December 31, 2022, the Company earned royalties, franchise and service fees of $183 (December 31, 2021 - $165) 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 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 0.5% of revenues in 2022.

Pandemic Risk and Economic Downturn

The COVID-19 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 the Company's customers. It is not possible to forecast with certainty the duration and full scope of the economic impact and other consequential changes the COVID-19 and other pandemics may have on the business in the future.

Economic Conditions

An economic slowdown could cause a decline in demand for the Company's services, which may impact operating results. Because of lower revenue during an economic slowdown, competition may increase and prices may be reduced by certain competitors to maintain or expand their market share. Pricing and profitability could be adversely affected as a result.

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, 2022, 20% 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 requires management to use judgment in applying its accounting policies and in developing 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 and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. 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 following discusses the most significant accounting judgements and estimates that the Company has made in the preparation of the financial statements.

i) Impairment

The Company reviews goodwill for impairment at least annually and for 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.

ii) 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.

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 significant assumptions made by management regarding the projected sales from acquired customers, operating margins, forecasted attrition rates and discount rate.

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, 18,292,372 Common Shares, and 592,696 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 April 21, 2023, and reflects all material events up to this date.