REDISHRED CAPITAL CORP.

March 31,
2023

MANAGEMENT'S DISCUSSION & ANALYSIS

TSXV: KUT

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 March 31, 2023, 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.

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.

In order to effectively and efficiently deliver services to its customers, the Company actively manages and maintains, as at March 31, 2023, a truck fleet comprised of 146 trucks.

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 2023, we saved ~ 240,000 trees through our paper recycling services.(1)

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 and we are also exploring the use of shredding vehicles that run on alternative energy sources

(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.

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, 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 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 the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2023 and the 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 May 25, 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 corresponding 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 19.

- **Consolidated Free Cash Flow** is defined as cash provided by operations net of capital expenditures. The calculation of Consolidated Free Cash Flow that begins with cash provided by operating activities is included on page 22.

- **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 19.

- **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.

- **Capital Expenditures** is defined as the purchase of tangible and intangible assets, net of proceeds received from their disposal.

- **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.

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. Consolidated free cash flow growth- this measures the Company's ability to grow cash flow and liquidity after factoring in capital expenditures.

7. 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.

8. EBITDA per weighted average share, fully diluted- measures the ability of both the Company and the corporate locations to drive EBITDA on a per share basis.

9. Consolidated free cash flow per weighted average share, fully diluted- measures the ability of the Company to drive Consolidated Free Cash Flow on a per share basis.

10. 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.

11. 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.

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

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 2020
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013. Corporately since May 2021
14.	Atlanta, GA	Greater Atlanta area	January 2012 Corporately since July 2021
15.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006 Corporately since November 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 March 31,		
	KPI	**2023**	2022	*Change(a)*
System Sales Performance – in USD				
Total locations in the United States		**30**	30	*0%*
Total system sales	(1)	**$19,307**	$16,409	*18%*
% scheduled sales		***48%***	*46%*	
Consolidated Operating Performance				
Revenue		**$16,996**	$12,517	*36%*
EBITDA	(2)	**$4,737**	$4,066	*17%*
EBITDA margin		***28%***	*32%*	*(400) bps*
Operating income	(3)	**$2,861**	$2,732	*5%*
Operating income margin		***17%***	*22%*	*(500) bps*
Operating income per weighted average share fully diluted	(7)	**$0.16**	$0.15	*7%*
EBITDA per weighted average share fully diluted	(8)	**$0.26**	$0.22	*18%*
Free cash flow	(6)	**$2,395**	$1,621	*48%*
Free cash flow per weighted average shared fully diluted	(9)	**$0.13**	$0.09	*44%*
Corporate Location Performance				
Revenue		**$16,418**	$11,996	*37%*
EBITDA		**$6,070**	$4,929	*23%*
EBITDA margin		***37%***	*41%*	*(400) bps*
Operating income	(4)	**$4,265**	$3,617	*18%*
Operating income margin		***26%***	*30%*	*(400) bps*
Operating income less net recycling	(5)	**$1,289**	$1,508	*(15)%*

Capital Management

As at March 31, and December 31,	**KPI**	**2023**	2022	*Change(a)*
Working capital(b)		**$180**	**$8**	*2150%*
Debt to total assets ratio		**0.50**	**0.52**	*(4)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	(10)	**1.51**	**1.82**	*(17)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(11)	**1.97**	**2.11**	*(7)%*

a) Change expressed as a percentage or basis point ("bp"), as applicable.
b) Working Capital represents the excess of the Company's current assets over its current liabilities.

Summary of Results and Operations

Revenue Growth in Q1-2023

The Company achieved 36% total revenue growth and 27% total revenue growth in constant currency during Q1-2023 versus Q1-2022 primarily due to acquisitions conducted during the last 12 months, organic sales growth from new customers and price increases.

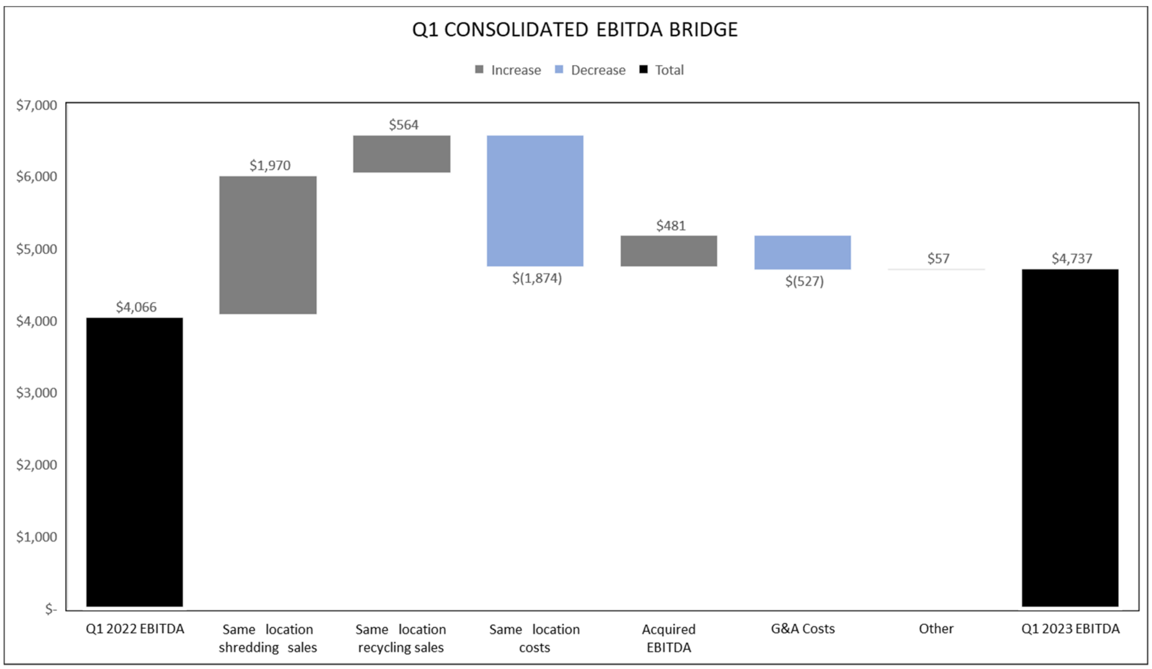
Continued Corporate Footprint Growth from Acquisitions

The acquisitions conducted in 2022 have been accretive to the Company's cash flows in Q1-2023.

Strong Consolidated EBITDA Growth

The Company's consolidated EBITDA was $4,737, or 16% higher, in Q1-2023 when compared to Q1-2022 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 2022.



Strong Free Cash Flow Growth

Free Cash Flow for the three months ended March 31, 2023 increased by $774, or 48%, to $2,395 compared to $1,621 for the same period in 2022. The increase is driven mainly by higher cash generated from operating activities of $1,547 compared to the same period in 2022. This higher cash generated from operating activities was primarily from higher EBITDA and more favourable changes in non-cash operating working capital, partially offset by higher capital expenditures of $773 to support the Company's growth.

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

Strategic Targets

1. Growth of Same Location Shredding System Sales:	
2023 Target	Same location shredding system sales growth to USD$57M.
Q1-2023 Performance	***On target for 2023***. Same location shredding system sales were USD $14.4M in Q1-2023, growing 17% versus Q1-2022.
2. Growth in Same Corporate Location EBITDA and Operating Income (Corporate Locations):	
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.
Q1-2023 Performance	***On target for 2023***. Same location EBITDA grew 13% to $5.6M, and same location operating income grew 11% to $4.0M.
3. EBITDA and Operating Income from acquired Corporate Locations:	
2023 Target	EBITDA margin of at least 35% and operating income margin of at least 20% before transition and acquisition costs.
Q1-2023 Performance	***On target for 2023***. The EBITDA and operating income margins, before transition and acquisition costs, from acquired operations were 39% and 27%, respectively.
4. Expand by way of Accretive Acquisitions:	
2023 Target	Add USD$5M to USD$6M in revenue by way of accretive acquisitions.
Q1-2023 Performance	The Company did not complete an acquisition during Q1-2023.
5. Improve Operating Leverage(1):	
2023 Target	G&A costs at 12% of total revenue.
Q1-2023 Performance	***On target for 2023***. G&A costs as a percentage of total revenue were 10% in Q1-2023.

(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.

Recycled Paper Prices

The following outlines the Q2-2023 average paper price estimated based on April 2023 paper pricing:

	Q1-2023	Q2-2023 Estimate	*% Change*
Average price (in USD)	$249	$231	*(7)%*

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

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.

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

	Three months ended March 31,		
	2023	2022	*%Change*
Total system sales (USD)	**$19,307**	$16,409	*18%*
Total same location system sales (USD)	**$18,904**	$16,409	*15%*

System Sales Breakdown:

The system sales mix in USD for the three months ended March 31, 2023 and 2022 is as follows:

	Three months ended March 31,		
	2023	2022	*%Change*
	$	$	
Scheduled	**9,321**	7,505	*24%*
Unscheduled	**5,423**	4,848	*12%*
Total Shredding System Sales	**14,744**	12,353	*19%*
Recycling	**4,003**	3,310	*21%*
Scanning	**290**	512	*(43)%*
Secure e-Cycle electronic waste	**270**	234	*15%*
Total System Sales	**19,307**	16,409	*18%*

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

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 Q1-2023, scheduled sales grew 24% over Q1-2022 and reached a record high of USD$9.3 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 Q1-2023, unscheduled system sales grew 12% over Q1-2022, driven by a growing customer base and large one-time customer requirements.

Recycling system sales:

Recycling system 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 March 31,		
	2023	2022	*% Change*
Recycling system sales (USD)	**$4,003**	$3,310	*21%*
Tonnage processed (units)	**16,054**	14,658	*10%*
Average paper price per ton	**249**	226	*10%*

Secure e-Cycle electronic waste sales:

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 Q1-2023, Secure e-Cycle electronic waste sales grew 15% over Q1-2022, driven by increased customer recycling of electronic waste.

Scanning sales:

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 Q1-2023, scanning sales decreased by 43% over Q1-2022, primarily due to the timing of new scanning projects.

Corporate Location Results

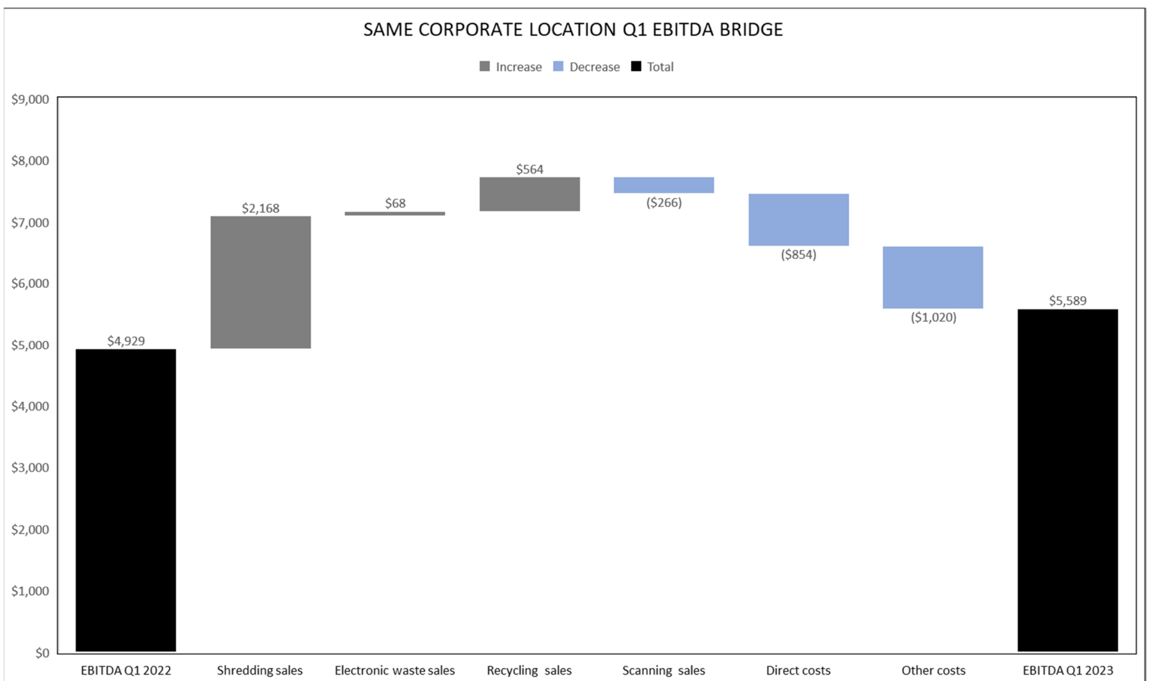
As at March 31, 2023, the Company operated fifteen corporate locations. Refer to the "Business Locations" section of this MD&A for a list of the Company's locations. Same corporate location results include all locations except for results for the Philadelphia location that was acquired on November 1, 2022 , and Safeguard Document Destruction Inc. ("SDD") which was acquired on June 1, 2022.

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

Total corporate location revenue and EBITDA grew by 37% and 23%, respectively, in Q1-2023 versus Q1-2022 due to the acquisitions completed over the past twelve months, and organic growth from same locations.

During Q1-2023, same corporate location shredding revenue and EBITDA grew 25% and 13%, respectively, over Q1-2022.

For the three months ended March 31, 2023	**Quarter-over-quarter growth**	**Constant currency quarter-over-quarter growth**
Same Corporate Locations:		
Total Sales	21%	13%
EBITDA	13%	6%
Operating Income	11%	3%
Total Corporate Locations:		
Total Sales	37%	28%
EBITDA	23%	15%
Operating Income	18%	10%



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

	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the three months ended March 31,	**2023**	2022	*% Change*	**2023**	2022	*% Change*	**2023**	2022
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**12,379**	8,754	*41%*	**10,922**	8,754	*25%*	**1,457**	-
Secure E-cycle Electronic waste sales	**365**	297	*23%*	**365**	297	*23%*	-	-
Scanning sales	**382**	648	*(41)%*	**382**	648	*(41)%*	-	-
Recycling sales	**3,292**	2,297	*43%*	**2,861**	2,297	*25%*	**431**	-
Total sales	**16,418**	11,996	*37%*	**14,530**	11,996	*21%*	**1,888**	-
Operating costs [(1)]	**10,348**	7,067	*46%*	**8,941**	7,067	*27%*	**1,407**	-
EBITDA	**6,070**	4,929	*23%*	**5,589**	4,929	*13%*	**481**	-
% of revenue	***37%***	*41%*	*(400) bps*	***38%***	*41%*	*(300) bps*	***25%***	-
Depreciation – tangible assets	**1,805**	1,312	*38%*	**1,592**	1,312	*21%*	**213**	-
Operating income	**4,265**	3,617	*18%*	**3,997**	3,617	*11%*	**268**	-
% of revenue	***26%***	*30%*	*(400) bps*	***28%***	*30%*	*(200) bps*	***14%***	-
Operating income less net recycling	**1,289**	1,508	*(15)%*	**1,427**	1,508	*(5)%*	**(138)**	-
% of revenue excluding recycling	***10%***	*15%*	*(500) bps*	***12%***	*15%*	*(300) bps*	***(9)%***	
EBITDA – in USD	**4,488**	3,893	*15%*	**4,133**	3,893	*6%*	**355**	-
% of revenue	***37%***	*41%*	*(400) bps*	***38%***	*41%*	*(300) bps*	***25%***	

Note 1: During Q1-2023, acquisition/vendor-related consulting fees of $248 (Q1-2022 - $58) are included in the total and non-same corporate location 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, from further route densification and optimization, and the acquisition/vendor-related consulting fees detailed in note 1 in the table above.

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.

The breakdown of General and administrative expenses of the Company is as follows:

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

	For the three months ended March 31,		
	2023	2022	*% Change*
	$	$	
Salaries and benefits	**834**	664	*26%*
Stock based compensation	**82**	66	*24%*
Acquisition costs	**12**	22	*(45)%*
Professional fees	**222**	125	*78%*
Technology	**189**	155	*22%*
Other expenses	**423**	201	*110%*
Total selling, general and administrative expenses(1)	**1,762**	1,233	*43%*
As a percentage of total revenue	***10%***	*10%*	*- bps*

(1) Does not include Growth Fund expenses.

G&A expenses for the three months ended March 31, 2023, increased by 43% compared to the same period in 2022. As a percentage of revenue, G&A expenses remained consistent at 10% of revenue for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

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.

Other Income and Expenses

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.

	For the three months ended March 31,		
	2023	2022	% Change
	$	$	
Amortization – intangible assets	**1,016**	779	*30%*

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 ended March 31, 2023, the Company recorded a remeasurement loss of $2 on contingent consideration (three months ended March 31, 2022- remeasurement loss of $39).

As at March 31, 2023, 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$5,144	CAD$3,811 USD$2,816	CAD$611 USD$449	April 1, 2023 to June 1, 2027

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

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 Q1-2023 average exchange rate is up 6% compared to the Q1-2022 average exchange rate.

Exchange rates utilized

1 USD:CAD	*2023*	2022				2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average rate	1.35	1.30	1.28	1.27	1.27	1.25	1.25	1.25	1.27
Close rate	1.35	1.35	1.37	1.29	1.25	1.27	1.27	1.24	1.25

	For the three months ended March 31,		
	2023	2022	% Change
	$	$	
Foreign exchange loss	**70**	750	(91)%

Gain on disposition of tangible assets

The Company did not dispose of any shredding vehicles during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company disposed of shredding vehicles for proceeds of $119 and resultant gain on disposition of $7, 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 ended March 31, 2023 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 currently 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 March 31, 2023, as compared to the same period in 2022, due to the following:

(1) term loan borrowings to partially fund acquisitions;
(2) interest on office leases assumed;
(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.

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

	For the three months ended March 31,		
	2023	2022	*% Change*
	$	$	
Interest income	**9**	-	*100%*
Interest expense[(a)]	**642**	383	*68%*

(a) Includes non-cash interest accretion on contingent consideration owing for the three months March 31, 2023 of $110 (three months ended March 31, 2022- $85).

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, 2023.

Income before income taxes for the three months ended March 31, 2023 was $1,140 (three months ended March 31, 2022- $788). Income tax expense for the three months ended March 31, 2023 was $405 (three months ended March 31, 2022- $515). The effective tax rate for the three months ended March 31, 2023 and 2022 was 36% and 65%, respectively. The effective tax rate for the three months ended March 31, 2023 was higher than statutory rates due to non-deductible items for tax purposes. 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.

Franchising & Licensing

Royalties and service fees are charged for the use of the trademarks and system. During Q1-2023, royalty and services fees increased by 2% over Q1-2022. With the acquisition of the Philadelphia franchise in Q4-2022, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from this location. Royalty, license and service fees for same franchisee locations grew by 11% during the three months ended March 31, 2023, compared to the same period in 2022.

Royalties, license, and service fees

	Total Franchise Locations			**Same Franchise Locations**		
For the three months ended March 31,	**2023**	2022	*% Change*	**2023**	2022	*% Change*
Total number of franchisees operating at period end	**15**	16	*(6)%*	**15**	15	*0%*
In USD:						
Royalty, license and service fees	**$376**	$367	*2%*	**$376**	$338	*11%*

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 $213 as at March 31, 2023. 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 March 31, 2023, the Growth Fund had a net loss of $80 (three months ended March 31, 2022 - $96 net loss)

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

Reconciliation of EBITDA to Net Income

	For the three months ended March 31,		
	2023	2022	*% Change*
	$	$	
EBITDA	**4,737**	4,066	*17%*
Less: depreciation – tangible assets	**(1,876)**	(1,334)	*41%*
Operating income	**2,861**	2,732	*5%*
Less: interest expense	**(642)**	(383)	*68%*
Add: interest income	**9**	–	*100%*
Less: amortization – intangible assets	**(1,016)**	(779)	*30%*
Add: gain on disposition of tangible assets	**-**	7	*(100)%*
Deduct: remeasurement of contingent consideration	**(2)**	(39)	*(95)%*
Deduct: foreign exchange loss	**(70)**	(750)	*(91)%*
Income before income taxes	**1,140**	788	*45%*
Less: income tax expense	**(405)**	(515)	*(21)%*
Net income	**735**	273	*169%*

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.

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	$	$	$	$	$	$	$	$
Total system sales (USD)	19,307	18,219	18,388	18,748	16,409	14,150	13,544	12,817
Consolidated Performance								
Revenue	16,996	15,409	14,703	14,597	12,517	10,424	9,785	8,677
EBITDA	4,737	3,071	3,641	4,540	4,066	1,658	2,857	2,622
Operating Income	2,861	1,203	2,014	3,150	2,732	412	1,710	1,544
Operating income per weighted average share fully diluted	0.16	0.07	0.11	0.17	0.15	0.03	0.11	0.10
Income (loss) income before taxes from continuing operations	1,140	(888)	4,229	3,497	788	(423)	1,547	62
Net income (loss)	735	(1,099)	3,887	2,813	273	(793)	1,605	(410)
Basic and diluted net income (loss) per share	0.04	(0.06)	0.21	0.15	0.02	(0.05)	0.10	(0.05)
Corporate Location Performance								
Revenue	16,418	14,850	14,137	14,038	11,996	9,946	9,273	8,177
EBITDA	6,070	4,697	4,915	5,717	4,929	3,003	3,707	3,249
Operating Income	4,265	2,866	3,306	4,351	3,617	1,780	2,579	2,195

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 March 31,	
	2023	**2022**
	$	**$**
Net cash provided by operations	3,620	2,073
Net cash used in financing activities	(2,744)	(1,563)
Net cash used in investing activities	(1,215)	(791)
Effect of foreign exchange rate changes	(26)	(29)
Change in cash	(365)	(310)
Cash, beginning of period	6,696	9,660
Cash, end of period	**6,331**	**9,350**

For the three months March 31, 2023, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During the three months March 31, 2023, cash was used in financing activities to repay term and truck loans, lease liabilities, and contingent consideration owing, which was partially offset by the Company financing truck purchases. Cash used in investing activities during the three months March 31, 2023 was primarily to purchase tangible assets.

As at March 31, and December 31	**2023**	2022	*% Change*
Working capital	**$180**	**$8**	*2150%*
Total assets	**$96,140**	**$97,811**	*(2)%*
Total non-current liabilities	**$31,604**	**$33,836**	*(7)%*
Total liabilities	**$47,877**	**$50,530**	*(5)%*
Debt to total assets ratio	**0.50**	**0.52**	*(4)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.51**	**1.82**	*(17)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**1.97**	**2.11**	*(7)%*

The increase in working capital as at March 31, 2023 was primarily due to a decrease in accounts payable and accrued liabilities and a decrease in current portion of long-term debt.

The decrease in total assets as at March 31, 2023 was driven by lower non-current assets due to depreciation and amortization on tangible and intangible assets in excess of additions.

The decrease in total non-current and total liabilities as at March 31, 2023 was due to repayment of term loans and truck loans, and settlement of contingent consideration amounts owing.

As at March 31, 2023, the Company was in compliance with its financial covenants.

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

The Company's Consolidated Free Cash flow is calculated as follows:

	For the three months ended March 31,		
	2023	2022	*% Change*
	$	$	
Cash provided by operations	**3,620**	2,073	*75%*
Less: Capital expenditures	**(1,225)**	(452)	*171%*
Free Cash Flow	**2,395**	1,621	*48%*

Dividends

The Company has not declared and paid any dividends during the three months ended March 31, 2023 and 2022.

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 March 31, 2023 and December 31, 2022:

Month of Advance	**Initial Amount**	**Interest per annum**	**Amortization period**	**March 31, 2023 balance**	**December 31, 2022 balance**
	$			**$**	**$**
May, 2019	6,003	3.50%	60 months	3,192	3,477
November, 2019	6,664	3.50%	84 months	4,007	4,319
March, 2020	2,688	2.99%	84 months	1,766	1,891
December, 2020	2,290	3.33%	84 months	1,591	1,700
August, 2021	854	3.69%	84 months	670	708
December, 2021	6,290	6.52%	84 months	5,803	6,083
November, 2022[(1)]	5,400	7.47%	84 months	5,149	5,349
Total				**22,178**	**23,527**

[(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 March 31, 2023, the Company has $1.0 million available on its operating line of credit and $3.8 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

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

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 at March 31, 2023, the Company had USD$1.5 million available on this line of credit.

The Company has financed the purchase of shredding vehicles and as of March 31, 2023, the Company has an outstanding truck loan balance of $8.6 million.

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 March 31, 2023**
				$
Office and warehouse building	17	September 2023 to September 2030	4.75% to 8.00%	5,841
Shredding vehicles	5	September 2023 to January 2027	5.95% to 7.00%	251
Total				**6,092**

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	3,966	107	37	-
Long-term debt	1,652	4,980	21,525	2,305
Contingent consideration	1,049	2,762	611	-
Lease liabilities	374	1,154	4,328	236

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, 2023 and December 31, 2022, was $48,263 and $47,281, 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.

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.

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

Normal Course Issuer Bid

On May 8, 2023, the Toronto Stock Venture Exchange accepted the notice filed by the Company to implement a Normal Course Issuer Bid ("NCIB") program. The NCIB expires on May 7, 2024. Under the NCIB, the Company may repurchase for cancellation up to 987,800 public float shares in its own capital stock.

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 Finance and Acquisitions, and the Board of Directors. Remuneration paid to key management personnel during the three months ended March 31, 2023 and 2022 was as follows:

	2023	**2022**
	$	**$**
Wages and benefits	284	283
Share-based compensation	52	54
Total compensation of key management	336	337

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, 2023 (December 31, 2022 - $5). During the three months ended March 31, 2023, the Company earned royalties, franchise and service fees of $48 (March 31, 2022 - $46) 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 the Company's control. For more information about the Company's risks and uncertainties, please refer to the Company's MD&A for the year ended December 31, 2022. The risks and uncertainties remain substantially unchanged from those previously disclosed.

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, 2022.

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, 18,304,372 Common Shares, and 593,423 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 25, 2023, and reflects all material events up to this date.