

RediShred Capital Corp.

Condensed Consolidated Interim Financial Statements

For the Three and Nine months ended September 30, 2023 and 2022

(Unaudited – Prepared by Management)

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2023 and December 31, 2022

(Unaudited, expressed in thousands of Canadian dollars)

	2023	2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,606	6,696
Cash attributable to the Growth Fund (note 3)	128	223
Trade and other receivables (note 4)	9,303	8,778
Prepaid expenses	813	574
Income taxes receivable	359	431
Total current assets	<u>14,209</u>	<u>16,702</u>
Non-current assets		
Tangible assets (note 6)	25,653	24,746
Intangible assets (note 7)	26,759	26,903
Goodwill (note 8)	29,974	28,385
Deferred tax asset (note 16)	1,358	1,075
Total non-current assets	<u>83,744</u>	<u>81,109</u>
Total assets	<u>97,953</u>	<u>97,811</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,217	4,452
Deferred revenue	99	130
Income taxes payable	77	64
Current portion of long-term debt (note 10)	7,607	6,839
Lease liabilities (note 11)	1,674	1,501
Contingent consideration (note 9)	3,958	3,708
Total current liabilities	<u>17,632</u>	<u>16,694</u>
Non-current liabilities		
Accounts payable and accrued liabilities	-	61
Long-term debt (note 10)	24,243	24,973
Deferred revenue	30	54
Lease liabilities (note 11)	4,060	4,760
Contingent consideration (note 9)	477	1,760
Deferred tax liability (note 16)	2,943	2,228
Total non-current liabilities	<u>31,753</u>	<u>33,836</u>
Total liabilities	<u>49,385</u>	<u>50,530</u>
Shareholders' equity		
Capital stock (note 12)	45,268	44,966
Contributed surplus	1,395	1,240
Accumulated foreign currency translation loss	(403)	(400)
Retained earnings	2,308	1,475
Total liabilities and shareholders' equity	<u>97,953</u>	<u>97,811</u>

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

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Comprehensive Income

For the three and nine months ended September 30, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	For the three months ended September 30,		For the nine months ended September 30	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue (note 13)	15,371	14,703	49,118	41,817
Corporate locations expenses (note 14)	(9,807)	(9,222)	(30,138)	(24,610)
Depreciation – tangible assets (note 6)	(1,814)	(1,627)	(5,677)	(4,351)
General and administrative expenses (note 15)	(2,522)	(1,840)	(6,713)	(4,960)
Total expenses	(14,143)	(12,689)	(42,528)	(33,921)
Operating income	1,228	2,014	6,590	7,896
Interest expense	(629)	(407)	(1,881)	(1,193)
Interest income	5	11	14	11
Amortization – intangible assets (note 7)	(1,020)	(837)	(3,041)	(2,414)
Remeasurement of contingent consideration (note 9)	264	154	119	117
Foreign exchange gain (loss)	1,254	3,263	(152)	4,046
Gain on disposal of tangible assets	17	31	17	51
Other income	106	–	106	–
Income before income taxes	1,225	4,229	1,772	8,514
Income tax expense	(157)	(342)	(939)	(1,541)
Net income for the period	1,068	3,887	833	6,973
Foreign currency translation income (loss)	118	145	(3)	203
Comprehensive income for the period	1,186	4,032	830	7,176
Net income per share (note 12)				
Basic	0.06	0.21	0.05	0.38
Diluted	0.06	0.21	0.05	0.38
Weighted average number of common shares outstanding – basic (note 12)	18,301,295	18,213,251	18,291,377	18,168,894
Weighted average number of common shares outstanding – diluted (note 12)	18,301,295	18,252,331	18,291,377	18,216,847

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

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Capital Stock and warrants	Contributed Surplus	Accumulated foreign currency translation loss	Retained earnings (deficit)	Total Shareholders' Equity
	\$	\$	\$	\$	\$
Balance – January 1, 2022	44,138	1,229	(608)	(4,399)	40,360
Net income for the period	–	–	–	6,973	6,973
Foreign currency translation income	–	–	203	–	203
Stock-based compensation (note 12)	–	218	–	–	218
Exercise of options and warrants (note 12)	828	(291)	–	–	537
Balance – September 30, 2022	44,966	1,156	(405)	2,574	48,291
Balance – January 1, 2023	44,966	1,240	(400)	1,475	47,281
Net income for the period	–	–	–	833	833
Foreign currency translation loss	–	–	(3)	–	(3)
Stock-based compensation (note 12)	–	290	–	–	290
Exercise of options (note 12)	302	(135)	–	–	167
Balance – September 30, 2023	45,268	1,395	(403)	2,308	48,568

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

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

Cash provided by (used in)	For the three months ended September 30		For the nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating activities				
Net income for the period	1,068	3,887	833	6,973
Items not affecting cash				
Depreciation of tangible assets and amortization of intangible assets (notes 6 and 7)	2,834	2,464	8,718	6,765
Stock-based compensation	116	85	290	218
Unrealized foreign currency loss (gain)	(1,242)	(3,272)	252	(4,089)
Interest expense, net of interest income	610	396	1,867	1,182
Remeasurement of contingent consideration (note 9)	(264)	(154)	(119)	(117)
Income tax expense	157	342	939	1,541
Gain on disposal of tangible assets	(17)	(31)	(17)	(51)
	<u>3,262</u>	<u>3,717</u>	<u>12,763</u>	<u>12,421</u>
Net change in non-cash working capital balances				
Decrease (increase) in trade and other receivables	340	(339)	(244)	(2,057)
Decrease (increase) in prepaid expenses	(77)	63	(236)	(389)
Increase (decrease) in accounts payable and accrued liabilities	351	317	(538)	(136)
Decrease in deferred revenue	(5)	(25)	(62)	(30)
Income taxes paid	(18)	(150)	(435)	(291)
Interest paid	(319)	(290)	(1,438)	(868)
Interest received	5	—	14	—
Net cash provided by operations	<u>3,539</u>	<u>3,293</u>	<u>9,824</u>	<u>8,650</u>
Financing activities				
Borrowings from long-term debt	2,091	2,217	5,153	3,259
Repayments of long-term debt	(1,469)	(896)	(5,163)	(3,058)
Proceeds from exercise of options and warrants	—	5	167	537
Repayment of lease liabilities (note 11)	(346)	(478)	(1,080)	(1,209)
Contingent consideration paid (note 9)	(39)	(143)	(2,184)	(1,056)
Net cash provided by/(used in) financing activities	<u>237</u>	<u>705</u>	<u>(3,107)</u>	<u>(1,527)</u>
Investing activities				
Amount paid for acquisitions, net of cash acquired (note 5)	(4,953)	(187)	(4,953)	(1,871)
Decrease in cash held by Growth Fund (note 3)	149	22	94	38
Purchase of tangible and intangible assets (notes 6 and 7)	(864)	(2,791)	(4,854)	(4,561)
Proceeds from disposal of tangible assets	17	120	17	253
Net cash used in investing activities	<u>(5,651)</u>	<u>(2,836)</u>	<u>(9,696)</u>	<u>(6,141)</u>
Effect of foreign exchange rate changes on cash	<u>121</u>	<u>302</u>	<u>(111)</u>	<u>338</u>
Net change in cash for the period	<u>(1,754)</u>	<u>1,464</u>	<u>(3,090)</u>	<u>1,320</u>
Cash – Beginning of the period	<u>5,360</u>	<u>9,516</u>	<u>6,696</u>	<u>9,660</u>
Cash – End of the period	<u>3,606</u>	<u>10,980</u>	<u>3,606</u>	<u>10,980</u>

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

RediShred Capital Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

1 Corporate information and nature of operations

Redishred Capital Corp. (“Redishred” or the “Company”) was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred’s common shares are listed for trading on the TSX Venture Exchange under the symbol “KUT”. The registered address of the Company is 2233 Argentia Road, Suite 202, Mississauga, Ontario, L5N 2X7.

Redishred manages and operates the Proshred brand and business platform (“System”) in the United States and internationally. Redishred operates the Proshred System under two business models in the United States, (1) via franchising and (2) via direct operation of sixteen corporate locations, as of September 30, 2023.

2 Significant accounting policies

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Company’s most recently audited consolidated financial statements for the year ended December 31, 2022, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. These condensed consolidated interim financial statements comprise the financial statements of Redishred and its subsidiaries as of September 30, 2023. Together, Redishred and its subsidiaries are referred to as the “Company.”

The Company’s significant accounting policies are included in Note 3 to the Company’s audited consolidated financial statements for the year ended December 31, 2022, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

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

The condensed consolidated interim financial statements of the Company for the three and nine months ended September 30, 2023 were authorized for issuance in accordance with a resolution of the Board of Directors on November 23, 2023.

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Notes to the Condensed Consolidated Interim Financial Statements
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3 Growth fund

The Company manages a Growth Fund established to collect and administer funds contributed for use in regional and national advertising programs and amongst other things, initiatives designed to increase sales and enhance general public recognition, acceptance and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regard to these contributions. Growth Fund contributions are required to be made by both franchised and Company owned and operated locations and are based on the annual level of revenue from each location. The Growth Fund contributions from the Company owned locations have been eliminated on consolidation.

The Growth Fund related contributions and expenses for the three and nine months ended September 30, 2023 and 2022, as well as cash balances as at September 30, 2023 and December 31, 2022 are as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	2023	2022	2023	2022
	\$	\$	\$	\$
Growth Fund revenue	68	57	206	166
Growth Fund expenses	(132)	(140)	(399)	(424)
Growth Fund net loss	(64)	(83)	(193)	(258)

As at,	September 30, 2023	December 31, 2022
	\$	\$
Cash attributable to the Growth Fund	128	223

4 Trade and other receivables

Trade receivables include receivables from franchisees and shredding, recycling, electronic waste and scanning customers. Other receivables include amounts related to the receivables from the sale of trucks and Harmonized Sales Tax ("HST") refunds. The net trade and other receivables as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Trade receivables – corporate locations	9,067	8,516
Trade receivables – franchising and licensing	216	188
Total trade receivables	9,283	8,704
Other receivables	345	401
Less: Allowance for doubtful accounts	(325)	(327)
Trade and other receivables, net	9,303	8,778

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(Unaudited, expressed in thousands of Canadian dollars)

5 Acquisitions

The Company completed the following acquisitions during the nine months ended September 30, 2023:

1. On August 31, 2023, the Company acquired the assets of Oho and Associates, Inc. ("Security Shredding"), a New Jersey based shredding business.
2. On September 5, 2023, the Company acquired the assets of the Proshred Baltimore business from its franchisee.

The Company determined that these acquisitions met the definition of a business and accounted for the transactions as a business combination in accordance with IFRS 3, *Business Combinations*. The purchase price for the acquisitions is preliminary and was allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed, based on their estimated fair value at the date of acquisition. The Company translated the fair values of all assets acquired, liabilities assumed and consideration given using the exchange rate on the date of the acquisition.

The Company conducted the acquisitions to increase its long-term cash flows and to increase its market share in the United States. The Company has identified synergies which it expects to realize in the elimination of redundant expenditures. In determining the fair market value of the assets acquired, synergies were not factored into the assessment. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately post-closing of the acquisitions. This goodwill is fully deductible for tax purposes.

The following table outlines the preliminary assets purchased and the consideration given on the closing date of these acquisitions:

During the nine months ended September 30, 2023	Proshred Baltimore	Security Shredding	Total
	\$	\$	\$
Exchange rate used	1.36	1.35	
Assets Acquired			
Net Working capital	143	—	143
Tangible assets	910	318	1,228
Customer relationships	2,177	763	2,940
Goodwill	1,385	260	1,645
	<u>4,615</u>	<u>1,341</u>	<u>5,956</u>
Consideration Given			
Cash	3,871	1,082	4,953
Net working capital settlement	8	—	8
Contingent consideration	736	259	995
	<u>4,615</u>	<u>1,341</u>	<u>5,956</u>
Acquisition costs (expensed in statement of comprehensive income)	<u>49</u>	<u>31</u>	<u>80</u>

The pro forma consolidated results of the Company for the nine months ended September 30, 2023, if the acquisitions had been closed on January 1, 2023, would result in estimated revenue of \$51,690 (compared to reported revenue of \$49,118) and estimated net income of \$1,106 (compared to reported net income of \$833). In preparing the pro forma results, revenue and costs have been included as if the business was acquired on January 1, 2023 and intercompany transactions had been eliminated. This information is not necessarily indicative of the

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results of the Company that would have occurred had the acquisitions actually been made at the beginning of the period presented or indicative of the future results of the Company.

The Company completed the following acquisitions during the year ended December 31, 2022:

1. On March 1, 2022, the Company acquired the assets of Mobile Document Destruction (“MDD”), an Illinois-based shredding business.
2. On June 1, 2022, the Company acquired the assets of Safeguard Document Destruction Inc (“SDD”), a shredding business with operations in New Jersey and Florida.
3. On August 1, 2022, the Company acquired the assets of Tech Shredders LLC (“Tech Shredders”), a New Jersey-based electronic waste recycling and hard drive shredding business; and
4. On November 1, 2022, the Company acquired the assets of the Proshred Philadelphia (“Philly”) business from its franchisee.

For all of the acquisitions that the Company completed during the year ended December 31, 2022, the goodwill recognized was fully deductible for tax purposes.

The following table outlines the assets purchased and the consideration given on the closing date for each of the acquisitions completed during the year ended December 31, 2022:

During the year ended December 31, 2022	MDD	SDD	Tech Shredders	Philly	Total
	\$	\$	\$	\$	\$
Exchange rate used	1.27	1.26	1.28	1.36	
Assets Acquired					
Net Working capital	19	—	—	257	276
Tangible assets, excluding right-of-use assets	19	579	24	1,788	2,410
Right-of-use assets	—	—	—	591	591
Customer relationships	307	1,037	121	4,549	6,014
Re-acquired franchise rights	—	—	—	471	471
Goodwill	117	357	119	3,561	4,154
	462	1,973	264	11,217	13,916
Consideration Given					
Cash	349	1,328	187	9,691	11,555
Net working capital settlement	—	—	—	(146)	(146)
Contingent consideration	113	645	77	1,081	1,916
Lease liabilities assumed	—	—	—	591	591
	462	1,973	264	11,217	13,916
Acquisition costs (expensed in statement of comprehensive income)	21	71	13	96	201

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Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

6 Tangible assets

	September 30, 2023			December 31, 2022		
	Cost	Accumulated depreciation	Net carrying value	Cost	Accumulated depreciation	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer equipment	732	(568)	164	661	(443)	218
Furniture & fixtures	261	(261)	-	248	(218)	30
Bins & shredding containers	4,856	(3,089)	1,767	4,410	(2,388)	2,022
Shredding vehicles - chassis	11,644	(5,009)	6,635	9,400	(3,837)	5,563
Shredding vehicles - box	20,420	(9,574)	10,846	17,628	(7,492)	10,136
Vehicles	245	(205)	40	245	(198)	47
Baling equipment	688	(289)	399	685	(226)	459
ROU Office and Warehouse	9,824	(5,142)	4,682	9,314	(3,773)	5,541
ROU Truck leases	1,959	(1,179)	780	1,910	(1,180)	730
Leasehold Improvements	346	(6)	340	-	-	-
Total tangible assets	50,975	(25,322)	25,653	44,501	(19,755)	24,746

	December 31, 2022				September 30, 2023	
	Net carrying value	Additions	Acquisitions	Depreciation	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer equipment	218	70	-	(124)	-	164
Furniture & fixtures	30	13	-	(44)	1	-
Bins & shredding containers	2,022	411	41	(700)	(7)	1,767
Shredding vehicles - chassis	5,563	1,470	829	(1,206)	(21)	6,635
Shredding vehicles - box	10,136	2,513	358	(2,138)	(23)	10,846
Vehicles	47	-	-	(8)	1	40
Baling equipment	459	4	-	(64)	-	399
ROU Office and Warehouse	5,541	485	-	(1,369)	25	4,682
ROU Truck leases	730	53	-	-	(3)	780
Leasehold Improvements	-	345	-	(24)	19	340
Total tangible assets	24,746	5,364	1,228	(5,677)	(8)	25,653

	December 31, 2021						December 31, 2022
	Net carrying value	Additions	Acquisitions	Depreciation	Disposition of Assets	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$	\$
Computer equipment	166	162	-	(123)	-	13	218
Furniture & fixtures	22	25	-	(18)	-	1	30
Bins & shredding containers	1,709	579	337	(719)	-	116	2,022
Shredding vehicles - chassis	4,014	1,692	648	(1,380)	(68)	657	5,563
Shredding vehicles - box	8,140	2,913	1,343	(2,343)	(143)	226	10,136
Vehicles	20	35	-	(8)	-	-	47
Baling equipment	388	30	82	(68)	-	27	459
ROU Office and Warehouse	3,050	3,159	591	(1,476)	(57)	274	5,541
ROU Truck leases	762	-	-	(84)	-	52	730
Total tangible assets	18,271	8,595	3,001	(6,219)	(268)	1,366	24,746

The foreign exchange adjustment is a result of the translation of foreign operation tangible assets in US dollars to Canadian dollars at September 30, 2023 and December 31, 2022, and is included in other comprehensive income.

RediShred Capital Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

7 Intangible assets

	September 30, 2023			December 31, 2022		
	Cost	Accumulated amortization	Net carrying value	Cost	Accumulated amortization	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer software	1,300	(794)	506	1,273	(571)	702
Re-acquired franchise rights	1,670	(1,241)	429	1,673	(1,079)	594
Trademarks & intellectual property	46	(13)	33	46	(10)	36
Customer relationships	38,877	(13,086)	25,791	36,012	(10,441)	25,571
Total intangible assets	41,893	(15,134)	26,759	39,004	(12,101)	26,903

	December 31, 2022					September 30, 2023
	Net carrying value	Additions	Acquisitions	Amortization	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer software	702	28	-	(222)	(2)	506
Re-acquired franchise rights	594	-	-	(163)	(2)	429
Trademarks & intellectual property	36	-	-	(3)	-	33
Customer relationships	25,571	-	2,940	(2,653)	(67)	25,791
Total intangible assets	26,903	28	2,940	(3,041)	(71)	26,759

	December 31, 2021					December 31, 2022
	Net carrying value	Additions	Acquisitions	Amortization	Foreign exchange	Net carrying value
	\$	\$	\$	\$	\$	\$
Computer software	730	191	-	(253)	34	702
Re-acquired franchise rights	302	-	471	(187)	8	594
Trademarks & intellectual property	40	-	-	(5)	1	36
Customer relationships	21,081	13	6,014	(2,928)	1,391	25,571
Total intangible assets	22,153	204	6,485	(3,373)	1,434	26,903

The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at September 30, 2023 and December 31, 2022, and is included in other comprehensive income.

8 Goodwill

The goodwill as at September 30, 2023 and December 31, 2022 is as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	28,385	22,655
Acquisitions	1,645	4,159
Foreign Currency Translation	(56)	1,571
Closing balance	29,974	28,385

The foreign exchange adjustment is a result of the translation of goodwill in US dollars to Canadian dollars at September 30, 2023 and December 31, 2022, and is included in other comprehensive income.

RediShred Capital Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

9 Contingent Consideration

The Company has recorded contingent consideration liabilities as part of the businesses acquired. The contingent consideration liabilities are paid to the vendors if certain financial results are achieved. During the three and nine months ended September 30, 2023, the Company recorded a remeasurement gain of \$264 and \$119, respectively. The fair value of contingent consideration is calculated based on the expected payout, discounted.

As at September 30, 2023, the Company has the following related to contingent consideration:

<u>Range of origination</u>	<u>Range of payouts</u>	<u>Current portion</u>	<u>Long-term portion</u>	<u>Range of maturity</u>
December 31, 2020 to September 4, 2023	USD\$0 to USD\$5,928	CAD\$3,958 USD\$2,928	CAD\$477 USD\$346	October 1, 2023 to June 1, 2027

The change in contingent consideration was as follows:

	<u>September 30, 2023</u>
	\$
Opening balance, January 1	5,468
Payments	(2,184)
Additions through acquisitions	995
Interest accretion	289
Remeasurement	(119)
Foreign exchange	(14)
Closing balance, September 30	<u>4,435</u>

10 Long-term debt

As at September 30, 2023 and December 31, 2022 long-term debt is comprised of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	\$	\$
Bank facilities (i)	21,892	23,527
Less: transaction costs	(351)	(322)
Net bank facilities	<u>21,541</u>	<u>23,205</u>
Truck loans (ii)	10,309	8,607
Total long-term debt	<u>31,850</u>	<u>31,812</u>
Less: current portion	<u>(7,607)</u>	<u>(6,839)</u>
	<u>24,243</u>	<u>24,973</u>

(i) Bank facilities

As at September 30, 2023, the Company has the following secured senior credit facilities:

1. An operating line of credit of CAD\$1 million;
2. A non-revolving re-advanceable term loan facility in the amount of CAD\$26 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

As at September 30, 2023 and December 31, 2022, the Company has borrowed the following amounts under the non-revolving re-advanceable term loan facility:

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Month of Advance	Initial Amount	Interest per annum	Amortization period	September 30, 2023 balance	December 31, 2022 balance
	\$			\$	\$
May, 2019	6,003	3.50%	72 months	2,831	3,477
November, 2019	6,664	3.50%	84 months	3,614	4,319
March, 2020	2,688	2.99%	84 months	1,609	1,891
December, 2020	2,290	3.33%	84 months	1,452	1,700
August, 2021	854	3.69%	84 months	622	708
December, 2021	6,290	6.52%	84 months	5,446	6,083
November, 2022*	5,400	7.47%	84 months	4,893	5,349
September, 2023**	1,425	7.83%	84 months	1,425	—
Total				21,892	23,527

*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.

**Loan bears interest at the fixed rate of interest of 7.83% for a term of thirty-six (36) months from the date of origination of September 5, 2023.

As at September 30, 2023, the Company has \$1.0 million available on its operating line of credit and \$4.1 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.

The bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds as follows:

1. A minimum fixed charge coverage ratio of 1.20:1 which is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA") less cash taxes and unfunded capital expenditures to total principal and interest repayments;
2. A maximum senior funded debt to EBITDA ratio of 3.00:1 which is defined as total senior debt divided by EBITDA; and
3. A maximum total funded debt to EBITDA ratio of 3.50:1 which is defined as total debt to EBITDA.

The ratio covenants are measured at the end of each quarter on a trailing 12-month basis.

As of September 30, 2023, the Company was in compliance with its banking covenants.

(ii) Truck loans

In July 2023, the Company established a new USD\$3.5 million non-revolving line of credit for the purchase of shredding vehicles. The interest rate on this facility is based on prevailing market rates at the time the line is used. As at September 30, 2023, the Company had USD\$3.0 million available on this line of credit.

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As at September 30, 2023, the Company has the following related to truck loans:

	Loan value	Carrying value of assets pledged	Range of interest rates	Range of origination dates	Range of maturity dates
	\$	\$			
Truck loans	10,309	12,148	3.92% to 8.54%	September, 2018 to September, 2023	November, 2023 to September, 2028

11 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 September 30, 2023
				\$
Office and warehouse building	18	August 2024 to September 2030	4.75% to 8.25%	5,529
Shredding vehicles	4	August 2025 to January 2027	5.95% to 7.00%	205
Total				5,734

The total lease payments made during the three and nine months ended September 30, 2023 were \$346 and \$1,080, respectively (three and nine months ended September 30, 2022, \$478 and \$1,209, respectively).

12 Capital stock

a) Authorized

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

b) Issued and fully paid

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

	Common stock	
	Number	\$
Balance September 30, 2023	18,303,072	45,268
Balance December 31, 2022	18,243,872	44,966

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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 comparative figures presented in these consolidated financial statements for common shares, warrants and options, and for basic and diluted net income per share amounts have been adjusted to reflect this share consolidation.

c) Weighted average number of common shares

The basic weighted average number of common shares outstanding for the three and nine months ended September 30, 2023 was 18,301,295 and 18,291,377, respectively (three and nine months ended September 30, 2022 was 18,213,251 and 18,168,894, respectively). The diluted weighted average number of common shares outstanding for the three and nine months ended September 30, 2023 was 18,301,295 and 18,291,377, respectively (three months and nine months ended September 30, 2022 was 18,252,331 and 18,216,847 respectively).

d) Warrants

The Company issued 400,430 warrants on January 23, 2017 as part of a private placement. Each warrant was exercisable into one common share of the Company at a price of \$1.80 per common share for a period of five years and expired on January 23, 2022. The warrants were classified as equity instruments. The fair values of the warrants was determined using the Black-Scholes option pricing model. There were no warrants outstanding during the three and nine months ended September 30, 2023 (116,980 exercised and 2,000 expired – during the nine months ended September 30, 2022).

e) Stock options

The following table summarizes the movements in the Company's stock options during the nine months ended September 30, 2023 and 2022:

	2023		2022	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding – opening	574,188	3.74	445,182	3.10
Granted	330,360	3.82	265,572	4.18
Exercised	(61,000)	2.75	(127,515)	2.56
Expired and forfeited	<u>(19,130)</u>	3.51	<u>(16,640)</u>	3.54
Outstanding – closing	<u>824,418</u>	3.85	<u>566,599</u>	3.72

The fair value of the 330,360 stock options granted during the nine months ended September 30, 2023, totaled \$623. The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 2.92% to 3.61%, volatility of 52% to 53%, expected life of 5 years and a 0% dividend yield.

For the three and nine months ended September 30, 2023, stock compensation expense was \$116 and \$290, respectively (for the three and nine months ended September 30, 2022 – \$85 and \$218, respectively).

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13 Revenue

The break-down of revenue earned by the Company for the three and nine months ended September 30, 2023 and 2022 is as follows:

	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2023	2022⁽¹⁾	2023	2022⁽¹⁾
	\$	\$	\$	\$
Paper shredding services	11,895	9,830	36,100	27,782
Sale of paper products	1,663	3,123	7,563	8,490
Royalties and license fees	433	491	1,402	1,419
Scanning services	624	536	1,719	2,000
Electronic waste and product shredding	678	648	2,080	1,898
Growth Fund contributions	68	57	207	166
Franchise fees	10	18	47	62
Total revenue	15,371	14,703	49,118	41,817

(1) Certain comparative figures have been restated to conform to current year presentation.

14 Corporate location expenses

The break-down of corporate location expenses of the Company for the three and nine months ended September 30, 2023 and 2022 is as follows.

	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2023	2022	2023	2022
	\$	\$	\$	\$
Shredding vehicle and related expenses	2,778	2,461	8,434	6,434
Acquisition costs	29	279	475	539
Employee wages expense	4,729	4,341	14,413	11,913
Employee benefits expense	930	914	2,882	2,455
Office and administration expense	1,341	1,227	3,934	3,269
Total corporate operating expenses	9,807	9,222	30,138	24,610

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15 General and administrative expenses

The break-down of general and administrative expenses of the Company for the three and nine months ended September 30, 2023 and 2022 is as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	2023	2022	2023	2022
	\$	\$	\$	\$
Employee wages and benefits expense	1,005	766	2,888	2,134
Share-based compensation	116	85	290	218
Professional fees	250	225	725	673
Acquisition costs	102	53	146	184
Technology	476	200	905	422
Growth Fund expenses (note 3)	132	141	399	425
Other	441	370	1,360	904
Total general and administrative expenses	2,522	1,840	6,713	4,960

Compensation of key management

Included in employee wages and benefits and share-based compensation expense is key management personnel compensation, which is as follows for the three and nine months ended September 30, 2023 and 2022:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	2023	2022	2023	2022
	\$	\$	\$	\$
Wages and benefits	401	271	1,027	849
Share-based compensation	73	61	188	164
Total	474	332	1,215	1,013

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

16 Income taxes

The Company has incurred Canadian non-capital losses that can be carried forward to reduce taxes payable in Canada. The losses expire at various times commencing December 31, 2035. The Company has also incurred US non-capital losses that can be carried forward to reduce taxes payable in the US. The losses expire at various times commencing December 31, 2023.

The income before income taxes for the three months and nine months ended September 30, 2023 was \$1,225 and \$1,772, respectively (three and nine months ended September 30, 2022- income before incomes taxes of \$4,229 and \$8,514, respectively). Income tax expense for the three and nine months ended September 30, 2023 was \$157 and \$939, respectively (three and nine months ended September 30, 2022- \$342 and \$1,541, respectively). The effective tax rate for the three and nine months ended September 30, 2023 and 2022 was as follows:

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	<i>For the three months ended September 30,</i>		<i>For the nine months ended September 30,</i>	
	2023	2022	2023	2022
Effective Tax Rate Percentage	13%	8%	53%	18%

The differences in the effective tax rate, as compared to the statutory tax rates of Redishred and its subsidiaries, for the three and nine months ended September 30, 2023 was primarily due to the impact of foreign exchange movements on intercompany balances between Redishred and its subsidiaries.

17 Financial instruments and fair values

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

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

Fair values

The carrying value amounts of many of the Company's financial instruments, including cash and cash equivalents, trade receivables, and accounts payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value primarily due to their short-term maturity. The fair value of the Company's long-term debt is \$30,517, compared to a carrying value of \$31,850, based on the current interest rates that would be charged on this financial instrument as at September 30, 2023.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The Company's contingent consideration is valued at fair value using Level 3 inputs. These valuation techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of these financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. The Company does not have any Level 2 inputs.

There were no transfers between levels of the fair value hierarchy during the three and nine months ended September 30, 2023 and 2022.

Interest rate risk

The Company's financial instruments subject to interest rate risk are as follows:

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- Operating line of credit: This financial instrument is subject to interest rate cash flow risk as interest is charged on this facility at a variable rate of prime plus 1.00% per annum.
- Term loans: These financial instruments are subject to interest rate fair value risk as their fair values will fluctuate as a result of changes in market interest rates, as interest on these financial instruments are fixed ranging from 2.99% to 7.83% per annum.
- Truck loans and leases: These financial instruments are subject to interest rate fair value risk as their fair values will fluctuate as a result of changes in market interest rates, as interest on these financial instruments is generally fixed ranging from 3.92% to 8.54% per annum.

An interest rate sensitivity that assumes a reasonable increase or decrease in interest rates with all other variables held constant, would not have a significant impact on the interest expense the Company recognized during the three and nine months ended September 30, 2023, and 2022.

Credit risk

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

Receivables related to corporate operations

The aging analysis for accounts receivable past due related to corporate operations as at September 30, 2023 and December 31, 2022 is as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Past due but not impaired		
60 to 90 days	529	700
91 days to 180 days	1,183	784

The accounts receivables related to corporate operations are exposed to credit risk from the possibility that customers may experience financial difficulty. As at September 30, 2023 and December 31, 2022, no customer accounted for more than 10% of the accounts receivable balance. For the three and nine months ended September 30, 2023 and 2022, no customer accounted for more than 10% of the Company's revenue in this category. As at September 30, 2023, 15% of accounts receivable, net of allowance of doubtful accounts, in this category were over 90 days old (December 31, 2022 – 10%). As at September 30, 2023, the Company has an allowance for credit losses from receivables of \$325 related to corporate operations (December 31, 2022 - \$327).

The maximum exposure to credit risk is the carrying amount of each class of financial assets. Collection of receivables remain a priority for the Company and management's assessment is collectability remains highly probable.

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Receivables related to franchising and licensing

The accounts receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees. In addition, the receivable balances are monitored on an ongoing basis. As at September 30, 2023, six (6) franchisees accounted for 57% of the accounts receivable balance related to franchising and licensing (December 31, 2022 - 6 franchisees accounted for 57%). For the three and nine months ended September 30, 2023, three (3) franchisees accounted for 27% of the Company's revenues related to franchising and licensing (three and nine months ended September 30, 2022 - 3 franchisees accounted for 27%). As at September 30, 2023 and December 31, 2022, there was no accounts receivable from franchisees over 90 days old.

Foreign exchange risk

The Company has significant assets denominated in USD dollars which are revalued at the exchange rate at the date of the statement of financial position. The Company has revenues and costs that are denominated in USD dollars; this dependency on the USD dollar causes foreign exchange gains when the Canadian dollar depreciates versus the USD dollar. This revaluation results in unrealized foreign exchange gains or losses. During the three and nine months ended September 30, 2023, the Company recorded a foreign exchange gain of \$1,254 and a foreign exchange loss of \$152, respectively (three and nine months ended September 30, 2022 – foreign exchange gain of \$3,263 and \$4,046, respectively).

Exchange rates utilized (USD to CAD):

As at,	September 30, 2023	December 31, 2022
	\$	\$
Close rate	1.35	1.35
	\$	\$
For the nine months ended,	September 30, 2023	September 30, 2022
	\$	\$
Average rate	1.35	1.28

Liquidity risk

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

Based on overall cash generation capacity and overall financial position, management believes the Company will be able to meet its financial obligations as they come due. The current liabilities of \$17,632 at September 30, 2023 (December 31, 2022 - \$16,694), are due to be settled within one year from the date of the statement of financial position. The Company has current assets of \$14,209 as at September 30, 2023 (December 31, 2022 - \$16,702), including cash and cash equivalents of \$3,606 (December 31, 2022 - \$6,696).

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Principal	Less than 3	3 months to 1	1 - 5 years	Over 5 years
	months	year		
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,121	96	-	-
Long-term debt	2,167	5,441	22,566	1,676
Contingent consideration	2,815	1,143	477	-
Lease liabilities	440	1,234	3,898	162
Interest	Less than 3	3 months to 1	1 - 5 years	Over 5 years
	months	year		
	\$	\$	\$	\$
Long-term debt	439	1,180	2,852	85
Lease liabilities	89	229	470	22
Total principal and interest	Less than 3	3 months to 1	1 - 5 years	Over 5 years
	months	year		
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,121	96	-	-
Long-term debt	2,605	6,621	25,418	1,761
Contingent consideration	2,815	1,143	477	-
Lease liabilities	529	1,463	4,368	184

18 Capital management

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

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

The Company has credit facilities with a banking institution which provides an operating line of credit and a non-revolving term loan facility. The Company's bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds, as detailed in note 10.

19 Segment reporting

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

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

September 30, 2023	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	7	3,001	598	3,606
Cash attributable to the Growth Fund	128	–	–	128
Trade and other receivables	216	9,013	74	9,303
Prepaid expenses	229	573	11	813
Income taxes receivable	52	307	–	359
Total current assets	632	12,894	683	14,209
Non-current assets				
Tangible assets	38	24,901	714	25,653
Intangible assets	830	25,781	148	26,759
Goodwill	–	29,974	–	29,974
Deferred tax asset	–	–	1,358	1,358
Total assets	1,500	93,550	2,903	97,953
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	753	2,327	1,137	4,217
Deferred revenue	80	19	–	99
Income taxes payable	–	–	77	77
Current portion of long-term debt	–	2,893	4,714	7,607
Lease liabilities	–	1,555	119	1,674
Contingent consideration	–	3,958	–	3,958
Total current liabilities	833	10,752	6,047	17,632
Non-current liabilities				
Long-term debt	–	7,420	16,823	24,243
Deferred revenue	–	30	–	30
Lease liabilities	–	3,492	568	4,060
Contingent consideration	–	477	–	477
Deferred tax liability	67	2,876	–	2,943
Total liabilities	900	25,047	23,438	49,385

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December 31, 2022	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	244	3,962	2,490	6,696
Cash attributable to the Growth Fund	223	–	–	223
Trade and other receivables	188	8,230	360	8,778
Prepaid expenses	174	260	140	574
Income taxes receivable	–	428	3	431
Total current assets	829	12,880	2,993	16,702
Non-current assets				
Tangible assets	35	24,170	541	24,746
Intangible assets	766	25,960	177	26,903
Goodwill	–	28,385	–	28,385
Deferred tax asset	–	–	1,075	1,075
Total assets	1,630	91,395	4,786	97,811
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	842	2,643	967	4,452
Deferred revenue	63	67	–	130
Income taxes payable	64	–	–	64
Current portion of long-term debt	–	2,452	4,387	6,839
Lease liabilities	–	1,484	17	1,501
Contingent consideration	–	3,708	–	3,708
Total current liabilities	969	10,354	5,371	16,694
Non-current liabilities				
Accounts payable and accrued liabilities	–	61	–	61
Long-term debt	–	6,156	18,817	24,973
Deferred revenue	–	54	–	54
Lease liabilities	–	4,077	683	4,760
Contingent consideration	–	1,760	–	1,760
Deferred tax liability	102	2,126	–	2,228
Total liabilities	1,071	24,588	24,871	50,530

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Geographic information

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Canada	\$	\$
Tangible assets	714	541
Intangible assets	148	177
United States		
Tangible assets	24,939	24,205
Intangible assets	26,611	26,726
Goodwill	29,974	28,385
Total		
Tangible assets	25,653	24,746
Intangible assets	26,759	26,903
Goodwill	29,974	28,385

Revenue

All revenues were attributed to the United States.

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Net income (loss) by operating segment

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

	For the three months ended September 30, 2023			
	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
Revenue	511	14,860	–	15,371
Corporate location expenses	–	(9,807)	–	(9,807)
Depreciation – tangible assets	(12)	(1,768)	(34)	(1,814)
General and administrative expense	(601)	(387)	(1,534)	(2,522)
Total expenses	(613)	(11,962)	(1,568)	(14,143)
Operating income (loss)	(102)	2,898	(1,568)	1,228
Interest expense	–	(324)	(305)	(629)
Interest income	–	–	5	5
Amortization – intangible assets	(30)	(980)	(10)	(1,020)
Remeasurement of contingent consideration	–	264	–	264
Foreign exchange loss	–	–	1,254	1,254
Gain on disposal of tangible assets	–	17	–	17
Other Income	106	–	–	106
Income (loss) before income taxes	(26)	1,875	(624)	1,225
Income tax expense	34	(660)	469	(157)
Net income (loss)	8	1,215	(155)	1,068

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	For the three months ended September 30, 2022			
	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
Revenue	566	14,137	–	14,703
Corporate location expenses	–	(9,222)	–	(9,222)
Depreciation – tangible assets	–	(1,609)	(18)	(1,627)
General and administrative expense	(563)	(204)	(1,073)	(1,840)
Total expenses	(563)	(11,035)	(1,091)	(12,689)
Operating income (loss)	3	3,102	(1,091)	2,014
Interest expense	–	(236)	(171)	(407)
Interest income	–	–	11	11
Amortization – intangible assets	(17)	(810)	(10)	(837)
Remeasurement of contingent consideration	–	154	–	154
Foreign exchange gain	–	–	3,263	3,263
Gain on disposal of tangible assets	–	31	–	31
Income (loss) before income taxes	(14)	2,241	2,002	4,229
Income tax recovery (expense)	(23)	1,123	(1,442)	(342)
Net income (loss)	(37)	3,364	560	3,887

	For the nine months ended September 30, 2023			
	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
Revenue	1,656	47,462	–	49,118
Corporate location expenses	–	(30,138)	–	(30,138)
Depreciation – tangible assets	(17)	(5,512)	(148)	(5,677)
General and administrative expense	(1,699)	(1,165)	(3,849)	(6,713)
Total expenses	(1,716)	(36,815)	(3,997)	(42,528)
Operating income (loss)	(60)	10,647	(3,997)	6,590
Interest expense	–	(948)	(933)	(1,881)
Interest income	–	–	14	14
Amortization – intangible assets	(83)	(2,929)	(29)	(3,041)
Remeasurement of contingent consideration	–	119	–	119
Foreign exchange loss	–	–	(152)	(152)
Gain on disposal of tangible assets	–	17	–	17
Other Income	106	–	–	106
Income (loss) before income taxes	(37)	6,906	(5,097)	1,772
Income tax recovery (expense)	46	168	(1,153)	(939)
Net income (loss)	9	7,074	(6,250)	833

RediShred Capital Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited, expressed in thousands of Canadian dollars)

	For the nine months ended September 30, 2022			
	Franchising and licensing	Corporate locations	Corporate	Total
	\$	\$	\$	\$
Revenue	1,647	40,170	–	41,817
Corporate location expenses	–	(24,610)	–	(24,610)
Depreciation – tangible assets	–	(4,287)	(64)	(4,351)
General and administrative expense	(1,406)	(706)	(2,848)	(4,960)
Total expenses	(1,406)	(29,603)	(2,912)	(33,921)
Operating income (loss)	241	10,567	(2,912)	7,896
Interest expense	–	(664)	(529)	(1,193)
Interest income	–	–	11	11
Amortization – intangible assets	(55)	(2,328)	(31)	(2,414)
Remeasurement of contingent consideration	–	117	–	117
Foreign exchange gain	–	–	4,046	4,046
Gain on disposal of tangible assets	–	51	–	51
Income before income taxes	186	7,743	585	8,514
Income tax recovery (expense)	(118)	27	(1,450)	(1,541)
Net income (loss)	68	7,770	(865)	6,973

20 Related party balances and transactions

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of \$5 due from this franchise as at September 30, 2023 (December 31, 2022 - \$5). During the three and nine months ended September 30, 2023, the Company earned royalties, franchise and service fees of \$44 and \$141, respectively (three and nine months ended September 30, 2022 - \$43 and \$135, respectively) from this franchise.