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Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial report and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014. Additional information on Redishred, including these documents and the Company's 2015 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 26, 2016.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking reports 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 reports 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. In particular, certain reports in this document discuss Redishred's anticipated outlook of future events. These reports include, but are not limited to:

- (i) the Company's ability to achieve (a) 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 over the next twelve months, which may be impacted by:
 - a. the growth of the system sales achieved by existing and new locations,
 - b. the growth of sales achieved in corporate locations,
 - c. the economic circumstances in certain regions of the United States,
 - d. the level of corporate overhead,
 - e. the number of new franchises awarded,
 - f. the size of franchise territories awarded,
 - g. number and size of acquisitions,
 - h. the exchange rate fluctuations between the US and Canadian dollar,
 - i. the outcome of potential litigation,
- (ii) anticipated system sales, royalty revenue and corporate store 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) recycling revenues may be impacted by commodity paper prices which will vary with 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 attain the anticipated sales and efficiencies; and by the performance of the local economies;
- (v) the awarding of franchises and licences, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise or licence;
- (vi) the commencement of new franchise and/or licenced operations 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;

These forward-looking reports should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking reports will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Non-IFRS Measures

There are measures included in this MD&A that do not have a standardized meaning under International Financial Reporting Standards ("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.

- System sales are revenues 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 revenues.
- Same store system sales results, 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 2016 and 2015.
- EBITDA is defined as earnings before interest, taxes, depreciation and amortization, or reversal of impairment and gains or losses on sale of assets. EBITDA is a performance measure used to assess the corporate locations' performance.
- Corporate operating income (loss) is the income (loss) generated by corporately operated locations. The operating income (loss) generated is inclusive of depreciation on tangible equipment, primarily trucks and containers. It does not include amortization related to intangibles assets or allocations for corporate overhead. The corporate operating income (loss) also includes the interest related to the Company's line of credit utilized to purchase the corporately operated locations.
- Operating income (loss) is defined as revenues less operating costs, interest expense, depreciation and amortization related to tangible assets. Depreciation and amortization for intangible assets has not been included in this calculation.

Basis of Presentation

All financial information reported in this MD&A is presented under IFRS as Generally Accepted Accounting Principles ("GAAP"). The Company's presentation currency is the Canadian dollar. The functional currency of the Company's foreign subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which they operate.

Overview of Redishred Capital Corp.

Redishred Capital Corp., based in Mississauga, Ontario, Canada operates the Proshred 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 well as operates corporate shredding businesses directly. The Company's plan is to grow its business by way of both franchising and the acquisition and operation of document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service.

As of March 31, 2016, there were 28 operating Proshred locations in the United States comprised of 120.1 territories. A territory in the United States is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). The Company operates 6 Proshred locations directly, including Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami.

As of March 31, 2016, the Company also has one international master license to operate in the Middle East¹. There are seven Proshred locations in operation in the Middle East, including Doha, Qatar, Dubai, UAE, Abu Dhabi, UAE, Riyadh and Jeddah, Saudi Arabia, Beirut, Lebanon and Muscat, Oman.

¹ Middle East license includes Gulf Cooperation Council countries of Saudi Arabia, Kuwait, Bahrain, Qatar, The United Arab Emirates, the Sultanate of Oman and the Republic of Yemen, in addition to, the Eastern Mediterranean Levant Countries of Turkey, Syria, Lebanon, Palestine, Jordan, Iraq, and Egypt including the islands of Crete, Cyprus, Rhodes, Chios and Lesbos.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016**

The Company's location list is as follows:

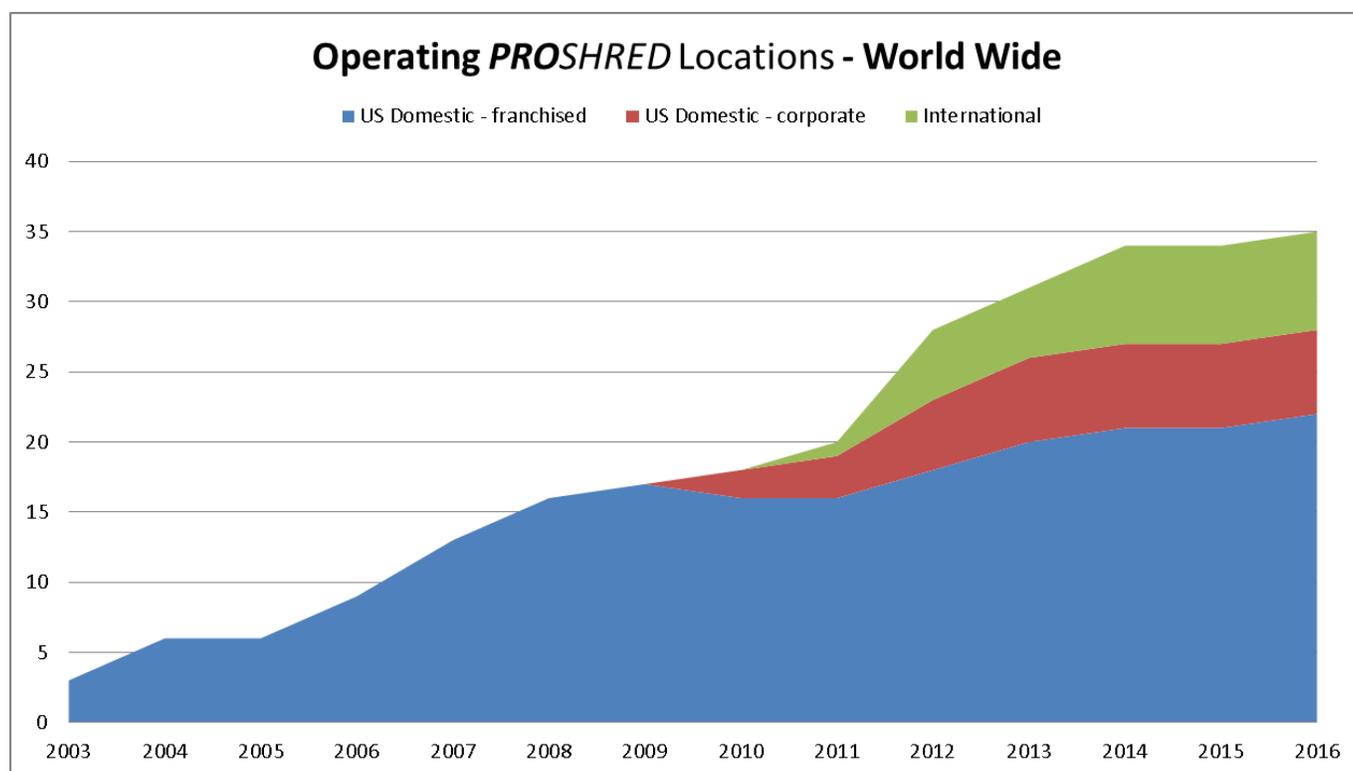
| No. | Franchise locations | Operating since | Territories |
|--|--|-----------------------------|---------------------|
| 1. | SPRINGFIELD, MA | June 2003 | 2.3 |
| 2. | TAMPA BAY, FL | March 2004 | 2.1 |
| 3. | DENVER, CO | August 2004 | 3.8 |
| 4. | PHILADELPHIA, PA | September 2006 | 5.0 |
| 5. | KANSAS CITY, MO | December 2006 | 4.0 |
| 6. | NEW HAVEN, CT | April 2007 | 3.6 |
| 7. | CHICAGO, IL (includes North and South Territories) | April 2007 | 7.2 |
| 8. | RALEIGH, NC | June 2007 | 4.7 |
| 9. | BALTIMORE, MD (includes Washington, DC) | November 2007 | 6.7 |
| 10. | N. VIRGINIA, VA | July 2008 | 3.8 |
| 11. | ORANGE COUNTY, CA | September 2009 | 3.0 |
| 12. | SAN DIEGO, CA | October 2010 | 2.9 |
| 13. | INDIANAPOLIS, IN | June 2011 | 2.6 |
| 14. | ATLANTA, GA | January 2012 | 6.3 |
| 15. | PHOENIX, AZ | January 2012 | 4.2 |
| 16. | DALLAS, TX | March 2012 | 6.3 |
| 17. | HOUSTON, TX | November 2012 | 5.7 |
| 18. | RICHMOND, VA | March 2013 | 3.2 |
| 19. | SAN FRANCISCO/SAN JOSE, CA | October 2013 | 6.3 |
| 20. | SEATTLE, WA | October 2013 | 3.4 |
| 21. | SOUTHERN NEW JERSEY | May 2014 | 3.6 |
| 22. | MINNEAPOLIS, MN | February 2016 | 2.7 |
| <i>Franchised territories in operation</i> | | | <u>90.7</u> |
| No. | Corporate locations | Operating since | Territories |
| 23. | SYRACUSE, NY | March 2004 ⁽¹⁾ | 2.5 |
| 24. | ALBANY, NY | April 2003 ⁽¹⁾ | 1.2 |
| 25. | MILWAUKEE, WI | August 2003 ⁽¹⁾ | 2.7 |
| 26. | NEW YORK CITY, NY (includes Long Island, NY) | January 2008 ⁽¹⁾ | 11.3 |
| 27. | MIAMI, FL | June 2008 ⁽¹⁾ | 5.7 |
| 28. | CHARLOTTE, NC | April 2006 ⁽¹⁾ | 3.3 |
| <i>Corporate territories in operation</i> | | | <u>26.7</u> |
| Grand Total | | | <u>120.1</u> |

(1) Syracuse has been corporately operated since May 1, 2010; Albany has been corporately operated since July 1, 2010; Milwaukee has been corporately operated since January 1, 2011 and New York City has been corporately operated since January 1, 2012. The Charlotte, NC location has been corporately operated since July 31, 2013. The Miami, FL business has been corporately operated since January 1, 2014.

**REDISHRED CAPITAL CORP.
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MARCH 31, 2016**

| <u>No.</u> | <u>International locations</u> | <u>Operating since</u> |
|------------|--------------------------------|------------------------|
| 1. | DOHA, QATAR | September 2011 |
| 2. | DUBAI, UAE | January 2012 |
| 3. | ABU DHABI, UAE | June 2012 |
| 4. | RIYADH, SAUDI ARABIA | December 2012 |
| 5. | JEDDAH, SAUDI ARABIA | December 2012 |
| 6. | BEIRUT, LEBANON | July 2014 |
| 7. | MUSCAT, OMAN | September 2014 |

Worldwide locations



(1) The information prior to the March 17th, 2008 qualifying transaction was obtained from the predecessor Company.

Performance Compared to 2016 Goals and Objectives

In the Company's 2015 Annual Report, management stated its 2016 goals and objectives. A review of the Company's performance in meeting these goals and objectives is included below:

| 2016 Goals and Objectives | Performance during the three months ended March 31, 2016 | Comments |
|--|---|---|
| Grow system sales from all locations by 10% to \$27.4M USD compared to 2015. | <p>Total system sales were \$6.9M during the first quarter of 2016 growing by 19% over the comparative 2015 period. Redishred's:</p> <ul style="list-style-type: none"> • scheduled system sales grew by 22% (same store sales grew by 22%); • unscheduled system sales grew by 31% (same store sales grew by 31%); • recycling system sales decreased by 7% (same store sales decreased by 7%). | Redishred is on target for achieving its annual goal. |
| Award at least four franchise locations and complete one acquisition. | During the three months ended March 31, 2016, the Company did not award any new franchise locations. | Redishred has awarded two new franchises in the second quarter (St. Louis and Orlando) and is actively pursuing other franchise opportunities. |
| Achieve \$2.8M CAD in EBITDA from operations. | <p>Redishred earned CAD \$616,604 in EBITDA from operations during the three months ended March 31, 2016.</p> <ul style="list-style-type: none"> • Corporate shredding sales grew by 30% (in \$US) • Recycling sales declined by 5% • Royalties grew by 10% | Redishred continues to believe that it will achieve its annual goal. |

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the 3 months ended March 31, 2016 and 2015.

| | 3 months ended March 31 | | % change |
|--|-------------------------|------------|-------------|
| | 2016 \$ | 2015 \$ | |
| System sales (USD) | 6,865,531 | 5,749,246 | 19% |
| Total Revenue | 2,348,152 | 1,772,950 | 32% |
| Corporate location data: | | | |
| Corporate location revenue | 1,892,024 | 1,374,062 | 38% |
| Corporate location operating costs | (1,195,510) | (798,527) | (50)% |
| Corporate location EBITDA | 696,514 | 575,535 | 21% |
| Depreciation – equipment | (144,157) | (120,778) | (19)% |
| Operating income from corporate locations | 552,357 | 454,757 | 21% |
| Franchise and license data: | | | |
| Franchise and license fees | 2,636 | 26,896 | (90)% |
| Royalties and service fees | 453,492 | 371,992 | 22% |
| Franchise and license revenue | 456,128 | 398,888 | 14% |
| Total operating costs | (536,038) | (405,279) | (32)% |
| Operating income | 472,447 | 448,366 | 5% |
| Net income (loss) | (72,582) | 605,838 | (112)% |
| Income (loss) per share | (0.00) | 0.02 | |

A reconciliation of Operating Income to Net Income (Loss) is included on page 17 and includes amortization of intangibles, interest expense, interest income, foreign exchange gains and losses and income taxes.

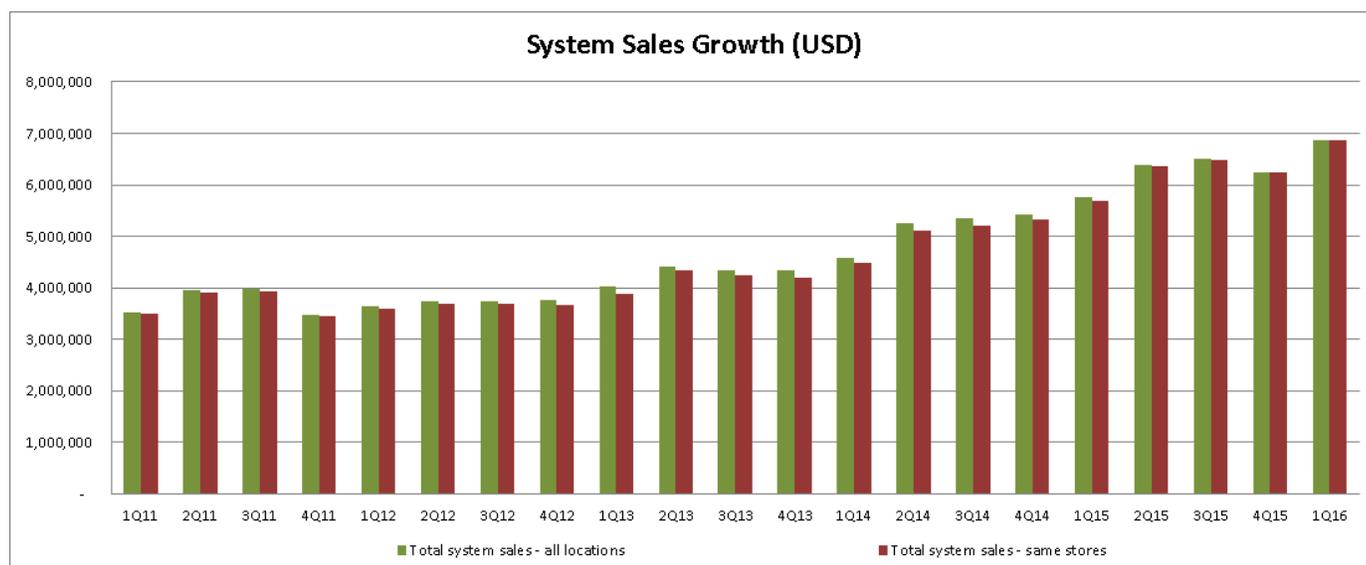
The Company operates the Proshred system, and derives revenues from franchise and other fees as well as royalty and service related fees. In addition to operating the Proshred franchise system, the Company operates six corporate locations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami. These corporate locations generate shredding service revenue and recycling revenue as well as incur costs related to marketing and servicing of customers. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

System Sales

Franchisees, corporate and international locations derive revenue by providing shredding services to their customers, and by selling recycled paper and other recyclable by-products. These sales are commonly referred to as “system sales,” and are the key driver of royalty and service fee revenue. System sales are denominated and reported in US dollars during the reported periods as follows:

| | 3 months ended March 31 | | |
|--|-------------------------|--------------|-----|
| | 2016 | 2015 | %Ch |
| Total world-wide operating locations at period end | 35 | 34 | 3% |
| Territories – United States | 120.1 | 117.4 | 2% |
| Total system sales (USD) | \$ 6,865,531 | \$ 5,749,246 | 19% |
| Total system sales (CDN) | \$ 9,422,255 | \$ 7,119,291 | 32% |

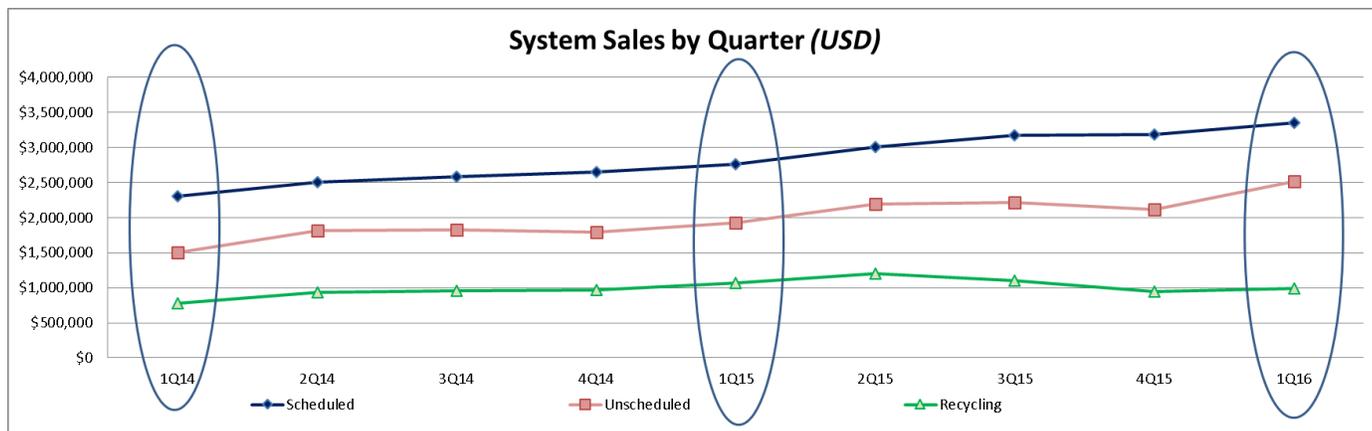
The following chart illustrates system sales growth by quarter since the first quarter of 2011.



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System Sales Quarter Over Quarter:

System sales are broken into three categories, scheduled service sales, unscheduled service sales and recycling.



Service related system sales, scheduled and unscheduled, were US\$5,872,192 for the 3 months ended March 31, 2016 growing by US\$1,191,710 or 25% over the first quarter in 2015.

Scheduled sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Proshred sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees and corporate locations with stable and recurring cash flows. As a result, the Company had continued growth in this category in 2016 versus 2015. During the three months ended March 31, 2016, scheduled sales reached a record quarterly high of US\$3,354,738.

| | 3 months ended March 31 | | |
|--|-------------------------|-----------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Scheduled service sales (USD) | 3,354,738 | 2,758,399 | 22% |
| Same store scheduled service sales (USD) | 3,354,738 | 2,758,399 | 22% |

Unscheduled sales:

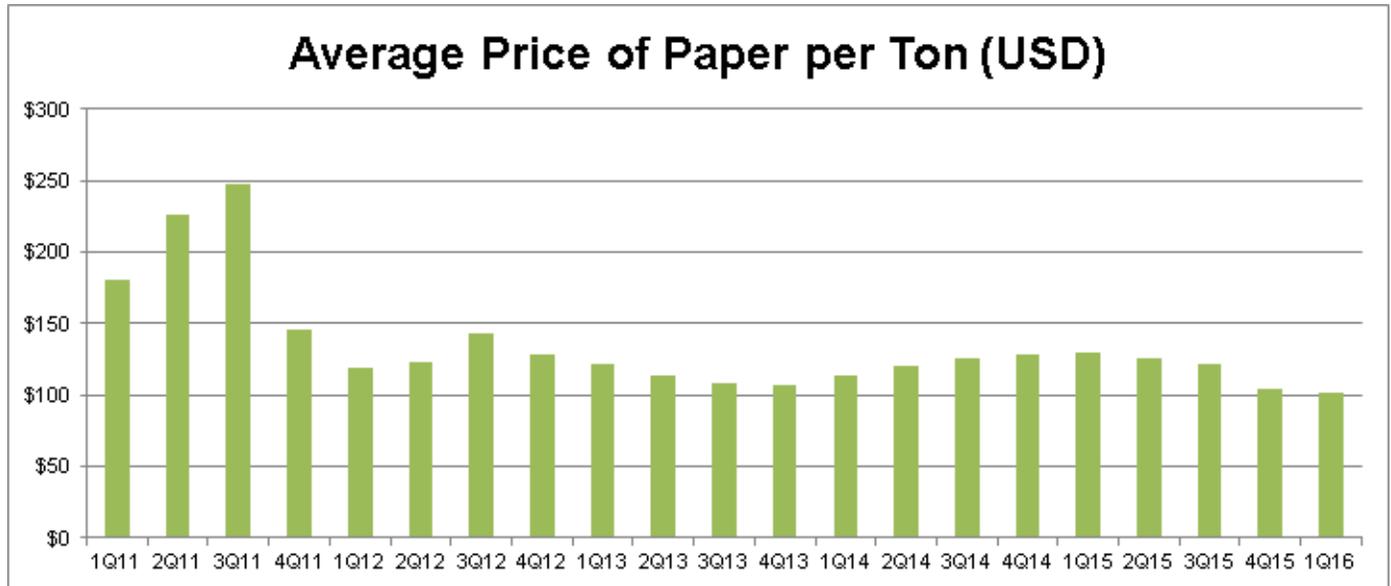
Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. During the three months ended March 31, 2016, unscheduled sales were US\$2,517,454, growing 31% over the same period in 2015.

| | 3 months ended March 31 | | |
|--|-------------------------|-----------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Unscheduled service sales (USD) | 2,517,454 | 1,923,083 | 31% |
| Same store unscheduled service sales (USD) | 2,513,840 | 1,923,083 | 31% |

Recycling sales:

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

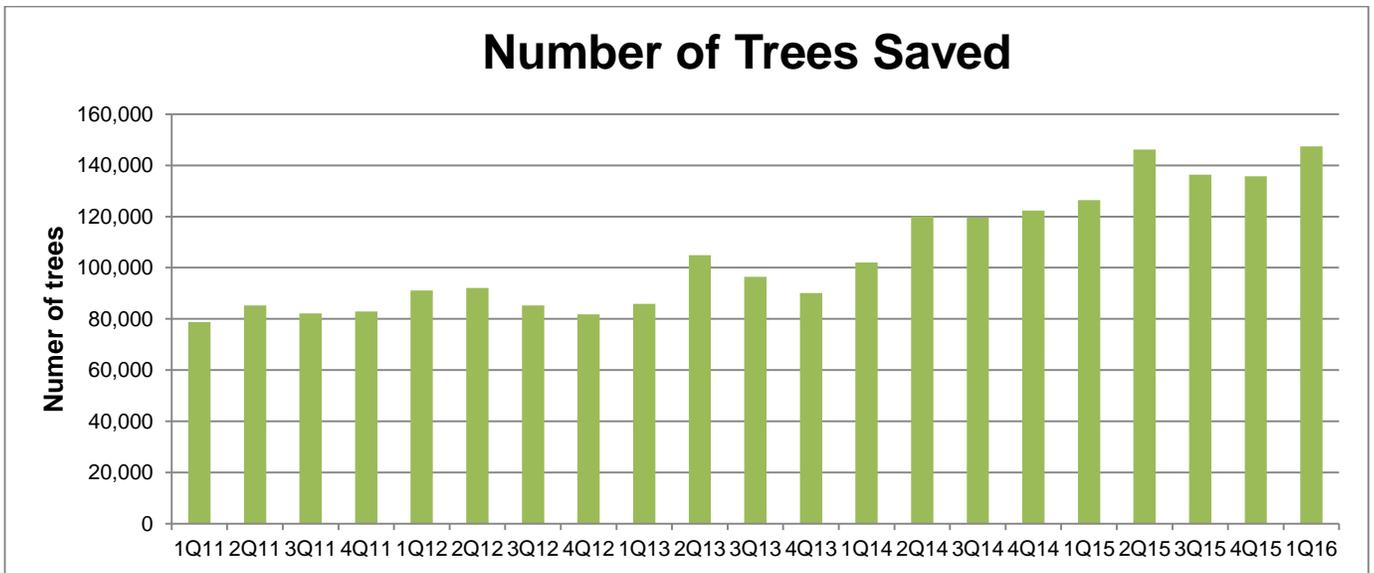
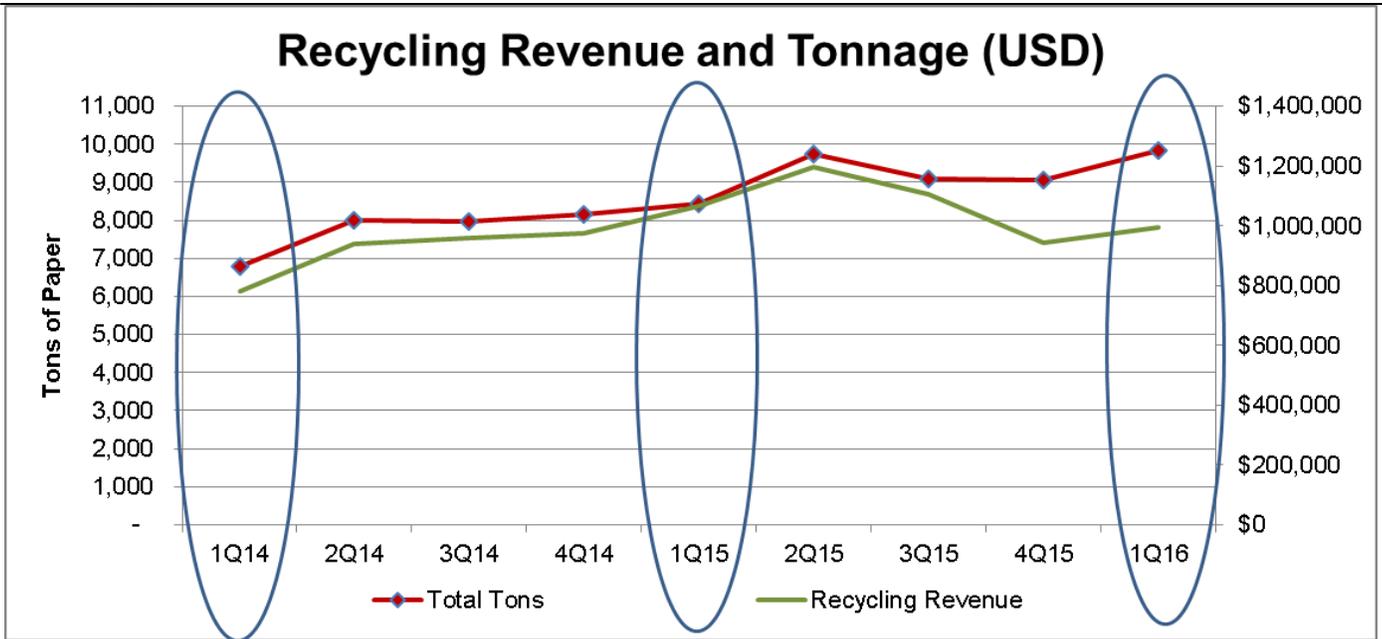
Historical Pricing Trends:



During the first quarter of 2016, the system shred and recycled 17% more paper than during the first quarter of 2015. The Proshred system shred and recycled 9,830 tons of paper during the first quarter of 2016. During the three months ended March 31, 2016, the Proshred system saved 147,500 trees ⁽¹⁾ (for the three months ended March 31, 2015 – 126,400 trees were saved). During the first quarter of 2016, the average price of paper in the Proshred system was US\$101 per ton, versus US\$130 per ton in the first quarter of 2015, a decline of 22%. The decline in prices reflects the overall softness in global commodity pricing.

| | 3 months ended March 31 | | |
|----------------------------------|-------------------------|-----------|------|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Recycling sales (USD) | 993,339 | 1,067,764 | (7)% |
| Same store recycling sales (USD) | 993,339 | 1,067,764 | (7)% |

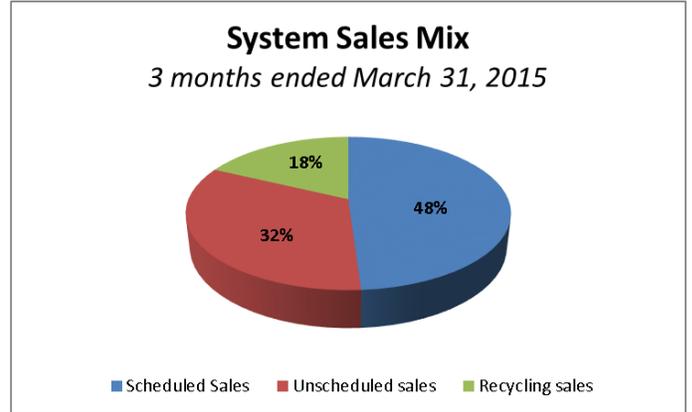
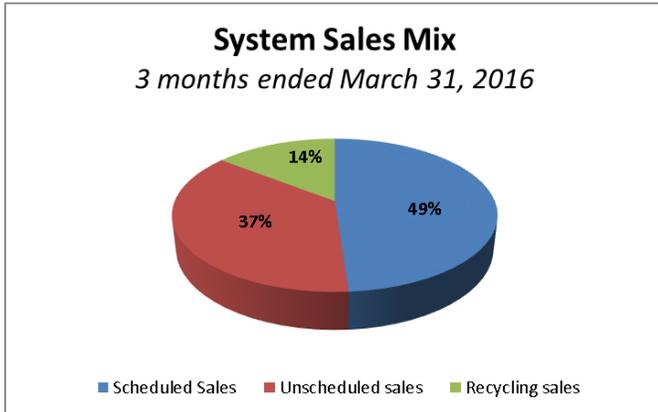
(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.



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Mix of business:

Scheduled sales accounted for 49% of total sales for the quarter ended March 31, 2016 (March 31, 2015 – 48%). Unscheduled sales accounted for 37% of total sales for the three months ended March 31, 2016 (March 31, 2015 – 32%). Recycling sales accounted for 14% of total sales for the quarter ended March 31, 2016 (March 31, 2015 – 18%).



Franchising & Licensing

Total Franchising Revenue

| | <i>3 months ended March 31</i> | | |
|----------------------------|--------------------------------|---------|-------|
| | 2016 | 2015 | % Ch |
| | \$ | \$ | |
| Franchise and license fees | 2,636 | 26,896 | (90)% |
| Royalty and service fees | 453,492 | 371,992 | 22% |
| Total franchising revenue | 456,128 | 398,888 | 14% |

Royalties and service fees are charged for the use of the Proshred brand, trademarks and systems. Franchise and license fee revenue is generated when a franchise or license is awarded and training is completed. Royalty and service fees earned during the three months ended March 31, 2016 were higher by 22% than in 2015 due to increased system sales (refer to 'System Sales'). Franchise and license fees include the license fees earned from the Middle East licensee.

The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2016, total franchising revenue was US\$332,358 (2015 – US\$322,125).

Consolidated Selling, General and Administrative Expenses

| | <i>3 months ended March 31</i> | | |
|--|--------------------------------|---------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Salaries | 235,423 | 182,645 | 29% |
| General, administrative and marketing | 300,615 | 222,634 | 35% |
| Total selling, general and administrative expenses | 536,038 | 405,279 | 32% |

Operating expenses for the three months ended March 31, 2016 include expenses to support 35 Proshred locations in operation, training and initial support for pending locations, and the costs to develop new markets by way of franchising, licensing and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. The Company continues to closely monitor and control all operating expenses.

The increase in total selling, general and administrative expenses is primarily due to increases in salaries, consulting, outsourced technology, legal and auditing costs.

Amortization – Franchising

Amortization relates to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008. Amortization is as follows:

| | <i>3 months ended March 31</i> | | |
|----------------------------------|--------------------------------|---------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Amortization – intangible assets | 152,649 | 147,257 | 4% |

Corporate Operations

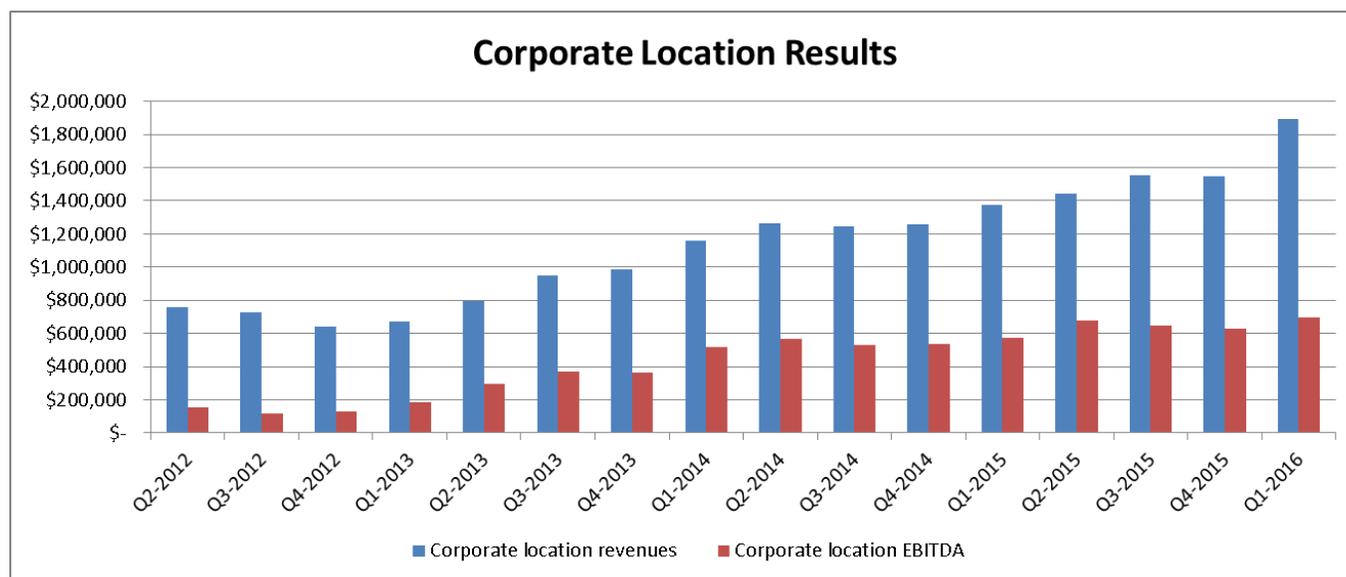
The Company operates six shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami. These locations represent the Company's corporately owned locations. During the quarter ended March 31, 2016, the corporate location revenues grew by 38% over the same comparative prior year period. The Company has also increased EBITDA by 21% and operating income by 21% over the three months ended March 31, 2015.

3 months ended March 31

| | 2016 | % of revenue | 2015 | % of revenue |
|----------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | \$ | | \$ | |
| Revenue: (note 1) | | | | |
| Shredding service | 1,642,515 | 87% | 1,136,674 | 83% |
| Recycling | 249,509 | 13% | 237,388 | 17% |
| Total revenue | <u>1,892,024</u> | 100% | <u>1,374,062</u> | 100% |
| Operating costs | <u>1,195,510</u> | 63% | <u>798,527</u> | 58% |
| EBITDA | <u>696,514</u> | 37% | <u>575,535</u> | 42% |
| Depreciation - equipment | <u>144,157</u> | 8% | <u>120,778</u> | 9% |
| Corporate operating income | <u>552,357</u> | 29% | <u>454,757</u> | 33% |

Corporate location revenues are generated in US dollars, which are translated at the average exchange rate for the period. For the three months ended March 31, 2016, corporate location revenues, denominated in US dollars were US\$1,378,624 (three months ended March 31, 2015 – US\$ 1,109,636)

Note (1): The Company acquired the assets of Recordshred Inc. on December 31, 2015.



Depreciation and Amortization – corporate operations

Depreciation and amortization relates to the assets purchased in relation to the Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami corporate locations. The increase in depreciation related to the corporate locations is due primarily to the purchase of two used shredding vehicles as part of the Recordshred acquisition in December 2015 and the purchase of a new shredding vehicle in June 2015.

Depreciation and amortization are as follows:

| | 3 months ended March 31 | | |
|---|-------------------------|---------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Depreciation and amortization – equipment | 144,157 | 120,778 | 19% |
| Depreciation and amortization – intangibles | 81,437 | 78,555 | 4% |
| Depreciation and amortization | 225,594 | 199,333 | 13% |

Operating income

During first quarter of 2016 the Company grew its corporate store sales and franchise and license revenue by 32% and increased its total operating and depreciation expense by 42% resulting in a 5% increase in operating Income compared to 2015.

| | 3 months ended March 31 | | |
|------------------|-------------------------|---------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Operating income | 472,447 | 448,366 | 5% |

Foreign exchange

Foreign exchange gain was as follows:

| | 3 months ended March 31 | | |
|---|-------------------------|---------|--------|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Realized foreign exchange gain | 24,261 | 39,994 | (39)% |
| Unrealized foreign exchange gain (loss) | (168,518) | 521,670 | (132)% |
| Total foreign exchange gain (loss) | (144,257) | 561,664 | (126)% |

All of Redishred's revenues are denominated in US dollars; this dependency on US dollar revenues causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar or when the Company incurs significant US dollar costs. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses. The period end exchange rate between the US and CDN dollars was 1.2987 CDN\$ = 1.0 US\$ at March 31, 2016 (December 31, 2015 1.3840 CDN\$ = 1.0 US\$).

Interest income and expense

Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees. Interest expense relates to the use of the Company's line of credit facility which bears interest at 10% per annum, interest on the truck loan agreements, which bear interest at 6.502% to 8.14% per annum and interest on the convertible debentures at 7.5%. Interest expense also relates to the loan agreements for the purchase of the Proshred Charlotte franchise. The loans bear interest at 7.5% to 9% per annum.

| | <i>3 months ended March 31</i> | | |
|------------------|--------------------------------|-----------|-----|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Interest income | 2,556 | 2,282 | 12% |
| Interest expense | (174,596) | (188,869) | 8% |

Income Tax

On March 17, 2008 the Company booked a deferred tax liability relating to the purchase of PSC and Proshred Franchising Corp. ("PFC"). During the three months ended March 31, 2016, the Company booked a tax recovery of \$5,354. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC.

The Company has incurred non-capital losses of \$6,900,000 in Canada and \$1,260,000 in the U.S. that can be carried forward to reduce income taxes payable. The losses expire at various times through December 31, 2034

Reconciliation of Operating income to Net income (Loss)

| | <i>3 months ended March 31</i> | | |
|---|--------------------------------|-----------|--------|
| | 2016 | 2015 | %Ch |
| | \$ | \$ | |
| Operating income | 472,447 | 448,366 | 5% |
| Less: amortization -intangible assets | (234,086) | (225,812) | (1)% |
| Less: interest expense | (174,596) | (188,869) | (8)% |
| Add: interest income | 2,556 | 2,282 | 12% |
| Income before foreign exchange and one-time items | 66,321 | 35,987 | 84% |
| Foreign exchange gain (loss) | (144,257) | 561,664 | (126)% |
| Gain on sale of assets | - | 3,096 | - |
| Income tax recovery | 5,354 | 5,111 | 5% |
| Net income (loss) | (72,582) | 605,838 | (112)% |

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016**

Net income

For the quarter ended March 31, 2016, the improvement in net income was \$27,501 after removing the foreign exchange effect. The improvement was a result of (1) the improvement in operating income produced by the corporate locations and (2) the increased royalties generated from the franchise system.

Selected Quarterly Results

| <i>(in CDN except where noted)</i> | 2016 | | 2015 | | | 2014 | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| System sales (USD) | 6,865,531 | 6,246,162 | 6,497,246 | 6,391,021 | 5,749,246 | 5,420,366 | 5,362,658 | 5,262,823 |
| Total Company revenue | 2,348,152 | 2,105,982 | 1,974,509 | 1,824,582 | 1,772,950 | 1,570,967 | 1,568,892 | 1,549,344 |
| Franchise and license fees | 2,636 | 122,533 | 4,120 | 2,210 | 26,896 | 1,484 | 32,569 | 1,038 |
| Royalty and service fees | 453,492 | 434,070 | 415,832 | 378,989 | 371,992 | 312,171 | 288,974 | 285,192 |
| Total revenue from franchising and licensing | 456,128 | 556,603 | 419,952 | 381,199 | 398,888 | 313,655 | 321,543 | 286,230 |
| On-going operating costs | (536,038) | (688,820) | (417,321) | (453,747) | (405,279) | (453,871) | (396,512) | (381,043) |
| Broker fees | - | (42,572) | - | - | - | (334) | - | 177 |
| Impairment of note receivable | - | - | - | - | - | (432) | (44,577) | - |
| Total operating expenses | (536,038) | (731,392) | (417,321) | (453,747) | (405,279) | (454,637) | (441,089) | (380,866) |
| Franchising and licensing EBITDA | (79,910) | (174,789) | 2,631 | (75,548) | (6,391) | (140,982) | (119,546) | (94,636) |
| Corporate locations revenue | 1,892,024 | 1,549,379 | 1,554,557 | 1,443,384 | 1,374,062 | 1,257,312 | 1,247,349 | 1,263,114 |
| Corporate locations operating costs | (1,195,510) | (922,668) | (908,449) | (764,529) | (798,527) | (723,584) | (719,481) | (695,883) |
| Corporate locations adjusted EBITDA | 696,514 | 626,711 | 646,108 | 678,855 | 575,535 | 533,728 | 527,868 | 567,231 |
| Depreciation – equipment | (144,157) | (137,570) | (120,789) | (119,418) | (120,778) | (109,688) | (119,093) | (72,844) |
| Total operating income – corporate | 552,357 | 489,141 | 525,319 | 559,437 | 454,757 | 424,040 | 408,775 | 494,387 |
| Consolidated EBITDA | 616,604 | 451,922 | 648,739 | 603,307 | 569,144 | 392,746 | 408,322 | 472,595 |
| Total operating income – excluding one-time costs – Company | 472,447 | 314,352 | 527,950 | 486,889 | 448,366 | 283,058 | 289,229 | 399,751 |
| Income (loss) before taxes from continuing operations | (77,936) | 206,141 | 347,399 | 18,358 | 600,727 | 102,305 | 49,438 | (83,471) |
| Income (loss) attributable to owners of the parent | (72,582) | (112,571) | 363,260 | 35,710 | 605,838 | 109,433 | 62,791 | (70,084) |
| Basic and diluted net income (loss) per share | (.00) | .00 | .01 | .00 | .02 | .00 | .00 | (.00) |

(1) Certain amounts have been reclassified to conform to the current period's presentation.

Selected Quarterly Results (continued)

Scheduled and unscheduled system sales have continued to grow each quarter. This was driven by the Company's sales and marketing programs that are aimed at educating clients on the legislative requirements to destroy confidential information using a secure on-site solution. As shredding customers are serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. Therefore, the Company experiences higher system sales and related royalty fees and corporate revenues in the 2nd and 3rd quarters of every year and lower system sales and related royalty fees and corporate revenues in the 1st and 4th quarters of every year.

Balance Sheet

| | <u>March 31, 2016</u> | <u>December 31, 2015</u> |
|-------------------|-----------------------|--------------------------|
| | \$ | \$ |
| Working capital | 115,391 | 21,721 |
| Total assets | 9,709,190 | 10,713,530 |
| Total liabilities | 9,570,978 | 10,183,518 |

The total assets and liabilities of the Company have decreased over the year ended December 31, 2015 primarily as a result of the repayment of debt.

The Company did not declare any dividends during the year.

Financial Condition, Capital Resources and Liquidity

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

Line of Credit

The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes. During September of 2013, the Company signed an amendment to its existing line of credit facility, extending the facility's term for an additional three years to November 27, 2017.

The interest remains at 10% per annum, paid semi-annually and the facility remains at \$6.03 million. The Company has \$958,516 available for use on its line of credit as of March 31, 2016.

Financial Strategy

The Company continues to focus on route optimization tactics in its corporate locations. The Company has concurrently implemented a strong sales focused approach and has dedicated sales leads in each corporate location with an aim to grow revenues and cash flows. The Company also continues its' efforts to award new franchise locations, which generate between \$35,000 and \$100,000 in franchise fees per new franchise as well as adds recurring royalty revenues.

At March 31, 2016, current liabilities of \$1,824,254 (December 31, 2015 - \$2,140,384) are due to be settled within one year from the balance sheet date. The Company expects these liabilities to be settled from on-going operations. It is management's plan to continue its core business strategy of (1) growing its corporate locations, (2) continuing to franchise in the United States and (3) conducting accretive acquisitions.

The Company has the following lease commitments:

| | |
|-----------------------|-----------------------|
| | \$ |
| Less than 1 year | 270,445 |
| Between 1 and 5 years | 227,770 |
| Total | <u>498,215</u> |

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

Equipment

| | <u>March 31, 2016</u> | <u>December 31, 2015</u> | <u>% Ch</u> |
|----------------|-----------------------|--------------------------|-------------|
| | \$ | \$ | |
| Net book value | 2,910,170 | 3,155,192 | (8)% |

During the three months ended March 31, 2016, the Company purchased computers, furniture, shredding containers, a delivery vehicle and upgraded shredding equipment, however, total net book value of equipment decreased as a result of the appreciation of the Canadian dollar, as a significant portion of the assets are denominated in US dollars.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Transactions with Related Parties

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. Included in accounts receivable at March 31, 2016, is \$3,820 (March 31, 2015 - \$163) due from this franchise. During the three months ended March 31, 2016, the Company earned royalty and service fees amounting to \$31,411 (2015 - \$26,212) from this franchise.

The Company has a line of credit facility with a related party entity, the Company's largest shareholder, for a maximum of \$6.03 million, repayable on November 27, 2017, bearing interest at a fixed rate of 10% per annum. The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes.

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued \$375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case the deferred interest payment will accrue additional interest at 7.5% per annum. Each \$1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of \$0.30 per share.

In order to finance the acquisition of the Charlotte location, the Company obtained the following loans from related parties:

- (a) a 5 year loan agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on March 31, 2016 is CAD\$525,750;
- (b) a 5 year loan agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on March 31, 2016 is CAD\$97,500 (US\$75,000);
- (c) a 4 year loan agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on March 31, 2016 is CAD\$39,580;
- (d) a 4 year loan agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on March 31, 2016 is CAD\$25,727 (US\$19,790).

Risks and Uncertainties

Please see the Annual Report for 2015.

Use of estimates and judgements

The preparation of the financial report 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. Subjects that involve critical assumptions and estimates and that have a significant influence on the amounts recognized in the consolidated financial report are further described as follows:

i) Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values, which represents a significant estimate. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in an amendment of the fair value allocation.

ii) Impairment and reversal of impairment

The Company reviews goodwill at least annually and other non-financial assets when there is any indication that the assets might be impaired or any indications that impairment of assets other than goodwill should be reversed. The determination of the value in use and fair value of a CGU to which goodwill is allocated to involves the use of estimates by management. The Company uses discounted cash flow based methods to determine these values. These discounted cash flow calculations typically use five-year projections that are based on the operative plans approved by management. Cash flow projections take into account past experience and represent management's best estimate of future developments. Cash flows after the planning period are extrapolated using estimated growth rates. Key assumptions on which management has based its determination of value-in-use include estimated growth rates, discount rates, future cash flows, margins and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment or reversal of impairment.

iii) Useful lives of tangible and intangible assets

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

iv) Deferred income taxes

The Company, including its subsidiaries, operate and earn income in multiple countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining income tax assets and liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the deferred tax assets and liabilities in the period in which such determinations are made. At each date of Statement of Financial Position, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets and liabilities. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets and liabilities could be materially affected if changes in current tax regulations are enacted.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2016, there were 28,884,658 basic issued and outstanding common shares (diluted shares 30,627,535). As at March 31, 2016 there were 1,830,000 options to acquire common shares. During the three months ended March 31, 2016 no stock options were granted (for the three months ended March 31, 2015 – 5,000)

As of May 26, 2016 there are 28,884,658 issued and outstanding common shares (diluted shares 30,627,535), 1,830,000 options to acquire common shares and 1,250,000 common shares issuable on conversion of the debentures.

Dated: May 26, 2016

