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 statements 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 annual report for 2009. These documents as well as additional information about the Company are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at August 10, 2010.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In particular, certain statements in this document discuss Redishred's anticipated outlook of future events. These statements include, but are not limited to:

(i) the Company's ability to achieve breakeven levels of cash flow, which may be impacted by:
  a. the number of new franchises awarded,
  b. the size of the franchise territories awarded,
  c. the growth of the system sales achieved by existing and new franchisees,
  d. the economic circumstances in the franchisees local markets,
  e. the growth of sales achieved in corporate locations, and
  f. the level of corporate overhead.

(ii) franchise development or the awarding of franchises, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise;

(iii) future acquisition activity which is subject to the identification of appropriate assets and agreement of suitable terms, as well as the availability of financing on suitable terms;

(iv) anticipated system sales and royalty 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;

(v) commodity paper prices which will vary with market conditions, and

(vi) the commencement of a new franchise operation may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution.

These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements 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 Corporation.

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under Canadian generally accepted accounting principles (“GAAP”) 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 and corporately operated locations. The system sales generated by franchisees drive the Company’s royalty and information technology fee revenues. The system sales generated by corporate locations are included in the Company’s revenues.
- Same store system sales results are indicators of performance of franchisees and corporately operated locations that have been in the system for equivalent periods in 2010 and 2009.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Corporation as of June 30, 2010 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario, Canada. As of June 30, 2010 there were 17 Proshred locations (see below) comprising of 69.5 territories (A territory 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 operated the Syracuse location corporately as of May 1, 2010 and has been operating the Albany location corporately as of July 1, 2010. In addition, subsequent to the end of the quarter, on July 26, 2010, the Company awarded a new franchise in San Diego, CA, which will bring the territory count to 72.4. The Company's location list is as follows:

No.	Franchise locations	Operating since	Territories
1.	SPRINGFIELD, MA	June, 2003	2.3
2.	MILWAUKEE, WI	August, 2003	2.7
3.	TAMPA BAY, FL	March, 2004	2.1
4.	DENVER, CO	August, 2004	3.8
5.	CHARLOTTE, NC	April, 2006	3.3
6.	PHILADELPHIA, PA	September, 2006	5.0
7.	KANSAS CITY, MO	December, 2006	4.0
8.	NEW HAVEN, CT	April, 2007	3.6
9.	CHICAGO, IL	April, 2007	3.8
10.	RALEIGH, NC	June, 2007	4.7
11.	BALTIMORE, MD (includes Washington, DC)	November, 2007	6.7
12.	NEW YORK CITY, NY (includes Long Island, NY)	January, 2008	11.3
13.	MIAMI, FL	June, 2008	5.7
14.	N. VIRGINIA, VA	July, 2008	3.8
15.	ORANGE COUNTY, CA	September, 2009	3.0
		Subtotal	*65.8*
No.	**Corporate locations**	**Operating since**	**Territories**
16.	ALBANY, NY	April, 2003	1.2
17.	SYRACUSE, NY	March, 2004	2.5
		Subtotal	*3.7*
No.	**Pending locations**	**Operating since**	**Territories**
18.	SAN DIEGO, CA	-	2.9
		Subtotal	*2.9*
		Grand Total	***72.4***

The Company continues to operate the Proshred franchising business (defined as the business of granting and managing franchises in the United States). 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. On April 30, 2010, the Company acquired the Proshred Syracuse business from its exiting franchisee for a purchase price of $317,000. This location marked the first corporate location to be operated by the Company, and also serves as a training facility for new franchisees. On June 30, 2010, the Company announced that it had completed the acquisition of the Proshred Albany business from an existing franchisee for an aggregate purchase price of $398,000 not including contingent consideration. The Albany location will be managed from the Syracuse office in order to realize back-office cost savings.

Performance Compared to 2010 Goals and Objectives

In the Company's 2009 Annual Report, management stated its 2010 goals and objectives. A review of the Company's performance in meeting these goals and objectives are included below:

2010 Goals and Objectives	Performance to June 30, 2010	Comments/Revised Goals
Establish four new franchise locations.	No new franchisees were added in the first half of 2010. On July 26, 2010, The Company awarded the San Diego, CA franchise, operations are expected to commence in early fall 2010.	The Company continues to invest in franchise development and marketing initiatives to ensure continued lead generation. ***Annual goal has been revised to two new franchisees for 2010.***
Establish two new corporate locations by way of acquisitions	Two corporate locations were established by way of acquisitions during the second quarter of 2010.	On April 30, 2010, the Company completed its first acquisition by way of the purchase of the Proshred Syracuse assets and customers, establishing its first corporate location. On June 30, 2010 the Company completed its second acquisition by way of the purchase of the Proshred Albany assets and customers, establishing its second corporate location. ***Annual goal has been attained.***
Grow system sales from existing locations by 14% to $11.0M USD compared to 2009.	System sales from locations in operation more than one year were just under $6.3M USD for the first half of 2010, which is 40% higher than the same period last year.	Due to stronger than anticipated service sales in the first half of the fiscal year and a significant increase in the price of recycled paper, the Company is ahead of target. ***Management has revised its forecasted system sales growth from existing locations for the year to 25%. Due to the significant increase in the price of recycled paper, and the volatility in the pricing of this commodity, management continues to be conservative in its system sales growth forecasts.***

Selected Financial Data and Results of Operations

The following table shows selected financial data for the three months and six months ended June 30, 2010 and 2009:

(in CDN except where noted)	*3 months ended June 30*			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
System sales (USD)	**3,202,222**	2,275,612	41%	**6,310,703**	4,459,757	42%
Franchise territory fees	**-**	-	- %	**-**	21,752	(100)%
Royalties and service fees	**235,092**	200,175	17%	**477,105**	403,882	18%
Franchise related revenue	**235,092**	200,175	17%	**477,105**	425,634	12%
Operating costs:						
Recurring	**(417,575)**	(521,146)	(20)%	**(775,217)**	(960,897)	(19)%
One-time	**-**	(201,500)	(100)%	**-**	(279,000)	(100)%
Total operating costs	**(417,575)**	(722,646)	(42)%	**(775,217)**	(1,239,897)	(37)%
Corporate location revenue	**100,685**	-	-	**100,685**	-	-
Corporate location costs	**(84,898)**	-	-	**(84,898)**	-	-
Net income from corporate location	**15,787**	-	-	**15,787**	-	-
Operating income (loss)	**(166,695)**	(522,471)	(68)%	**(282,325)**	(814,263)	(65)%
Net income (loss)	**(300,831)**	(751,641)	(60)%	**(606,474)**	(1,149,367)	(47)%
Loss per share	**(0.01)**	(0.03)	(67)%	**(0.02)**	(0.05)	(60)%

The Company operates the Proshred franchise system, and derives revenues from franchise territory fees as well as royalty and service related fees. As of May 1, 2010, the Company operated one corporate location in Syracuse, New York; this location generates shredding service revenue and recycling revenue as well as costs related to the marketing to and servicing of customers. A second corporate location was added on June 30, 2010, that will impact operating results commencing in the third quarter of 2010. The Company also incurs costs related to managing the Proshred system, including salaries and administration.

Total Revenues

Total revenues for the three months ended June 30, 2010 were $ 235,092 in royalties and fees from the franchise system, and $100,685 in shredding service and recycling revenue from the Syracuse corporate location.

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Franchise territory fees	-	-		-	21,752	100%
Royalty and service fees	**235,092**	200,175	17%	**477,105**	403,882	18%
Total franchise related revenue	**235,092**	200,175	17%	**477,105**	425,634	12%
Shredding services	**79,195**	-	-%	**79,195**	-	-%
Recycling	**21,490**	-	-%	**21,490**	-	-%
Total shredding related revenue	**100,685**	-	-%	**100,685**	-	-%
Total revenue *(CDN)*	**335,777**	200,175	68%	**577,790**	425,634	36%

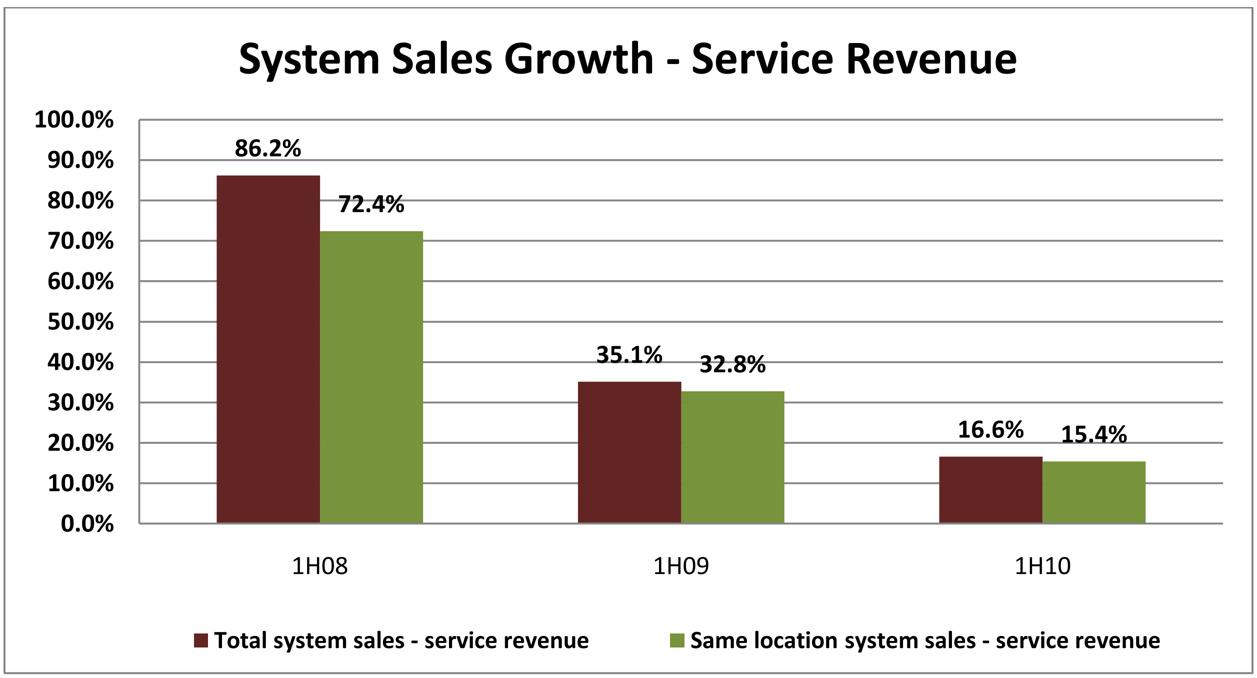
The Company derives all its revenues in US dollars which are translated at the average exchange rate for the period. Royalties and service fees are charged to franchisees for use of the trademarks and system, franchise fee revenue is generated when a franchise is awarded. Shredding service and recycling revenue is generated by our corporate location in Syracuse, New York. For the six months ended June 30, 2010, royalty and fee revenues, denominated in US dollars were $464,020 USD, and shredding service and recycling revenues, denominated in US dollars were $97,923 USD.

System Sales

Franchisees and corporate 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:

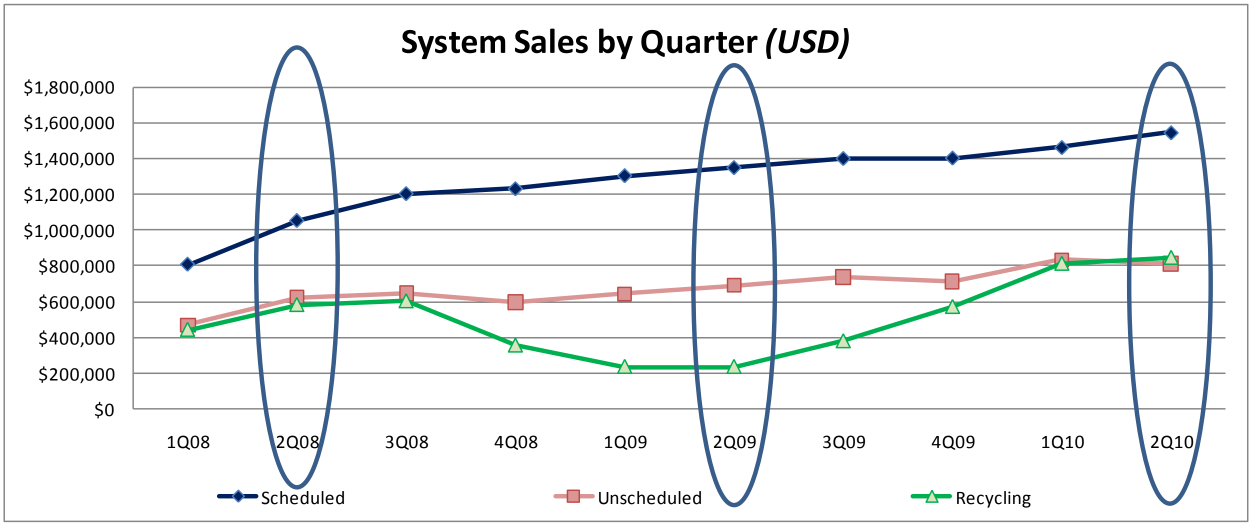
	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
Total operating locations at period end	**17**	16	6%	**17**	16	6%
Territories	**69.5**	66.5	5%	**69.5**	66.5	5%
Total system sales (USD)	**$3,202,222**	$2,275,612	41%	**$6,310,703**	4,459,757	42%
Total system sales (CDN)	**$3,292,525**	$2,744,388	20%	**$6,530,007**	$5,378,467	21%

System sales data for prior years has been collected by the Company’s subsidiary, Professional Shredding Corporation (“PSC”) prior to its acquisition by the Company. The following chart demonstrates system sales growth relating to service revenue earned (excludes recycling system sales) by the franchise system since calendar year 2008.



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 $2,356,980 for the second quarter of 2010, setting a new quarterly record, growing by $314,821 over the second quarter of 2009.

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. This category of service revenue is recurring in nature, usually on a monthly basis. Proshred's 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.

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
Scheduled service sales (USD)	**$1,544,327**	$1,348,753	15%	**$3,005,991**	$2,652,946	13%
Mix of total system sales	**49%**	59%		**48%**	59%	

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. Unscheduled sales during the first half of 2010 grew at 23% over the previous year due in part to an improving economy and due in part to increasing awareness of legislation mandating that confidential documents be destroyed on a regular annual cycle.

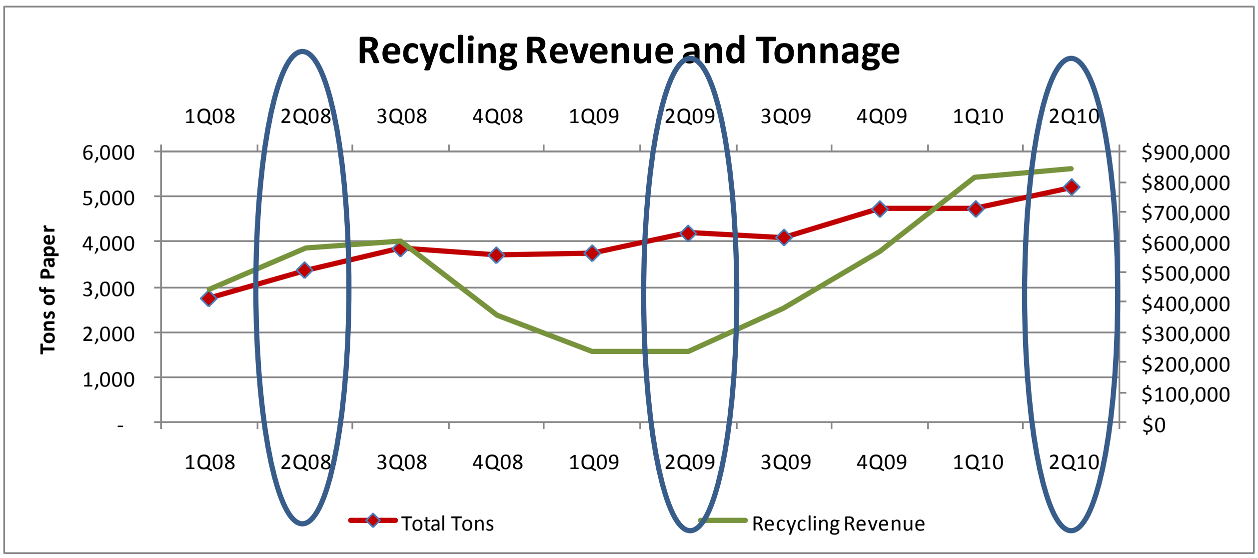
	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
Unscheduled service sales (USD)	**$ 812,653**	$ 693,406	17%	**$ 1,647,591**	$1,337,686	23%
Mix of total system sales	**25%**	31%		**26%**	30%	

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 global supply and demand for shredded paper. During the last quarter of 2009 and during the first half of 2010, prices for recycled paper products have rebounded to near record highs.

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
Recycling sales (USD)	**$ 845,242**	$ 235,502	259%	**$ 1,657,121**	$ 471,405	252%
Mix of total system sales	**26%**	10%		**26%**	11%	

The system as a whole has continued to shred and recycle increased volumes of paper every quarter. In the 1st half of 2010, the system shredded and recycled 9,900 tonnes of paper, this equates to 149,000 trees being saved.



Same stores sales for the analysis above has not been broken out as only one new location was opened in 2009, and their sales will not have a material impact.

Operating Expenses

	3 months ended June 30			6 months ended June 30		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Salaries	**249,674**	320,753	(22)%	**468,323**	581,656	(19)%
General, administrative and marketing	**167,900**	401,893	(58)%	**306,894**	658,241	(53)%
	417,574	722,646	(42)%	**775,217**	1,239,897	(37)%

Operating expenses for the six months ended June 30, 2010 include expenses to support the existing 17 Proshred locations and to develop new markets by way of franchising and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. In 2009 the Company initiated a cost reduction plan, aimed at reducing all overhead costs at the head office in Mississauga. This program has shown a 19% reduction in compensation costs and a 53% decrease in general, administrative and marketing costs for the first half of 2010 versus the same period in 2009. Additionally, during the first half of 2009, the Company incurred $279,000 in one-time charges related to costs associated with aborted acquisitions and severance packages.

Corporate Store Operations

On April 30, 2010, the Company purchased the Syracuse, New York franchise. This location represents the Company's first corporate location. The following outlines the first two months of results for the Syracuse location.

2 months ended June 30 (USD),	**2010**	% of revenue
	$	
Revenue:		
Shredding service	**76,820**	79%
Recycling	**20,900**	21%
Total revenue	**97,720**	100%
Corporate location costs:		
Operating costs	**59,766**	61%
Depreciation	**13,858**	14%
Interest expense	**8,946**	9%
Total corporate store costs	**82,570**	84%
Corporate store income	**15,150**	16%

Operating loss

The Company posted an operating loss during the six months ended June 30, 2010, as the Company has not attained a breakeven level of royalty revenue and there were no new franchises added to the system during the quarter. The corporate location contributed an operating income of $15,787 since the acquisition on April 30, 2010.

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Operating income (loss)	**(166,695)**	(522,471)	(68)%	**(282,325)**	(814,262)	(65)%

Foreign currency

Foreign currency gain (loss) was as follows:

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Foreign currency gain (loss)	**2,906**	(59,301)	(105)%	**2,206**	5,798	(62)%

The gain during the three months ended June 30, 2010 resulted from the translation of a U.S. dollar intercompany receivable between PSC and its American subsidiary Proshred Franchising Corp. 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.

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 is attributed to use of the Company's line of credit facility, which bears interest at 10% per annum. All interest costs have been attributed to the corporate locations to date.

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Interest income	**1,006**	2,122	(53)%	**2,545**	8,954	(72)%
Interest expense	**(9,198)**	-	-%	**(9,198)**	-	-%

Depreciation and Amortization

Depreciation and amortization for the six months ended June 30, 2010 can be broken into two main classes, (1) related to the purchase of PSC and the Proshred franchise business in 2008 and (2) the assets purchased in relation to the Syracuse, New York corporate location. Depreciation and amortization are as follows:

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Depreciation and amortization – Proshred franchise business	**151,196**	193,226	(22)%	**358,047**	394,553	(9)%
Depreciation and amortization – Corporate location	**14,248**	-	100%	**14,248**	-	100%

Income Tax

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC and PFC. During the six months ended June 30, 2010, the Company booked a tax recovery of $29,148. 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 is not currently taxable.

Net Loss

	3 months ended June 30			*6 months ended June 30*		
	2010	2009	%Ch	**2010**	2009	%Ch
	$	$		**$**	$	
Net loss	**300,831**	751,641	(60)%	**606,474**	1,149,367	(47)%

Summary of Quarterly Results

(in CDN except where noted)	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3
	$	$	$	$	$	$	$	$
System sales *(USD)*	3,202,222	3,108,481	2,685,433	2,516,869	2,275,612	2,184,145	2,182,756	2,451,518
Franchise territory fees	-	-	-	118,131	-	21,752	20,716	324,093
Royalty and service fees	235,092	242,013	216,205	208,857	200,175	203,707	196,838	196,467
Total revenue	235,092	242,013	216,205	326,988	200,175	225,459	217,554	520,560
Corporate location revenue	100,685	-	-	-	-	-	-	-
Corporate location costs	75,700	-	-	-	-	-	-	-
Income from corporate location	24,985	-	-	-	-	-	-	-
Operating income (loss)	(157,497)	(115,629)	(257,507)	(121,067)	(522,471)	(291,792)	(668,455)	67,266
Basic and diluted operating income (loss) per share	(.01)	(.01)	(.01)	(.01)	(.02)	(.01)	(.03)	.01
Interest income	1,006	1,538	2,013	1,702	2,122	6,832	10,591	7,344
Interest expense	(9,198)	-	-	-	-	-	-	-
Net income (loss)	(300,831)	(305,643)	(534,248)	(319,428)	(751,641)	(397,726)	(897,251)	(217,742)
Basic and diluted net income (loss) per share	(.01)	(.02)	(.03)	(.01)	(.03)	(.02)	(.04)	(.01)

2010

In the second quarter, system sales were marginally higher than the first quarter of 2010, setting another quarterly record. System sales have seen upward momentum since the second quarter of 2009, due to continued growth in service related system sales, and due to very strong growth in recycling related system sales.

On April 30, 2010, the Company purchased the Syracuse, New York location, and commenced operations on May 1, 2010. Income from the corporate location was $24,985.

The Company in 2010 has continued to minimize operating overheads, resulting in a 37% reduction in costs versus the first half of 2009.

2009 and 2008

System sales for the last half of 2008 and the first half of 2009 were impacted by a large decrease in recycling related system sales. From the peak in the third quarter of 2008 to the trough in the second quarter of 2009, recycling revenue fell by 61%, despite the fact that the system as a whole recycled 9% more paper when comparing peak to trough.

For the majority of 2009, the Canadian dollar continued to strengthen versus the US dollar, resulting in tempered growth in royalty revenues reported.

Finally, during the first half of 2009, the Company postponed its fund raising and acquisition programs due to the volatile and declining capital markets. As a result, the Company incurred a number of one-time costs related to the expensing of acquisition deposits, financing costs and the elimination of some personnel. These costs equated to $279,000.

Balance Sheet

	June 30, 2010	December 31, 2009
Working capital	**$ 1,178,428**	$ 1,283,496
Total assets	**6,886,143**	7,557,609
Total liabilities	**2,162,943**	1,180,008

The Company has a line of credit facility of $4 million, of which $1.24 million was used in the second quarter of 2010.

The Company issued no dividends during the year.

Financial Condition / Capital Resources

As of June 30, 2010, the Company has working capital of $1,178,428

The Company monitors its cash balances and cash flows generated from operations to meet its requirements. Based on overall cash generation capacity and overall 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. The Company has used $1.24 million of its $4 million line of credit facility; these funds were used to acquire the Syracuse, New York franchise, the Albany, New York franchise, two shredding trucks and initial working capital for the acquired businesses. The accounts payable and accrued liabilities of $311,860 at June 30, 2010 (June 30, 2009 - $387,760) are due to be settled within one year from the balance sheet date.

It is management's plan to continue its core business strategy of conducting accretive acquisitions and to continue franchising in the United States. The Company estimates that it will be necessary conduct between two and four acquisitions and to award between two and four new franchise locations over the next 24 months in order to achieve a breakeven level of cash flows. The Company intends to use its $4 million line of credit facility to finance acquisitions. One-time franchise fees from new franchises have historically generated between $35,000 and $100,000 per franchise location. Additionally, new franchise locations add to recurring royalty and fee revenues.

The Company has the following lease commitments:

Current	$	136,393
One to three years	$	279,363
Total	$	415,756

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Significant Accounting Policies

Please refer to the 2009 Audited Financial Statements and to the second quarter, 2010 financial statements for a listing of all accounting policies. The following outlines future changes in accounting policies which may have an impact on the Company's future disclosures.

Recent accounting pronouncements issued and not yet adopted

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial statements, and Section 1602, Non-controlling Interests, which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the entity's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011.

Early adoption of this section is permitted. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the changeover date for Canadian publicly traded enterprises to start using International Financial Reporting standards (“IFRS”) as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company has identified the following major differences between its current accounting policies and those required or expected to apply in preparing IFRS financial statements.

Revenue Recognition

Current accounting policy:

Franchising business:

The Company earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period and from royalties and service fees paid by franchisees as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has paid the initial franchise fee and has fully executed a franchise agreement and has been provided the prescribed training. Royalties and service fee revenue is accrued on a monthly based on sales reported by franchisees. Interest income on notes receivable is recognized in the month earned.

Corporate operations – shredding and recycling services:

The Company earns revenue by providing shredding services to clients, and by way of the sale of recycled paper to recycling facilities. Shredding service revenue is recognized as revenue when the shredding service has been performed and the Company has provided a certificate of destruction and invoice to the client. Recycling revenue is recognized when the collected paper has been delivered to the recycling facility.

Expected IFRS accounting policy:

No significant changes have been identifies from the Company’s current accounting policy.

Income Taxes

Current accounting policy:

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantially enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in future income tax rates assets and liabilities as a result of changes to the subsidiary enacted tax rates are included in income tax recovery (expense) in the period that the substantive enactment or enactment occurs. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Expected IFRS accounting policy:

The Company has not finalized analyzing the impact of IAS 12 *Income taxes* with respect to the accounting for income taxes.

Impairment of Long-Lived Assets

Current accounting policy:

Long-lived assets, including equipment and other intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying value of the asset is greater than the future undiscounted cash flows expected to be provided by the asset. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period.

Expected IFRS accounting policy:

Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP, while it is based on comparing the carrying amount to the recoverable amount under IAS 36 *Impairment of Assets* ("IAS 36"). In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under current Canadian GAAP.

The Company will adopt this revised accounting policy on transition to IFRS.

Equipment and amortization

Current accounting policy:

Equipment is carried at cost. Amortization is provided for over the estimated useful lives, using the straight-line basis at the following annual rates:

Computer equipment	2 years
Computer software	3 years
Furniture and fixtures	3 years
Bins and shredding containers	5 years
Shredding vehicles - chassis	5 years
Shredding vehicles – shredding compartment	5 years
Recycling equipment	5 years

Expected IFRS accounting policy:

Componentization: IAS 16 *Property, plant and equipment* (“IAS 16”) reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately. The Company has commenced recording all new capital asset expenditures in compliance with IAS 16.

Foreign exchange

Current accounting policy:

The Company’s subsidiaries operate autonomously as self-sustaining companies. The functional currency of the Company’s foreign subsidiary, Proshred Franchising Corp., is the US dollar. Assets and liabilities of this subsidiary are translated into Canadian dollars at exchange rates at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Cumulative translation adjustments are included as a component of accumulated other comprehensive income in shareholders’ equity.

Expected IFRS accounting policy:

First-time Adoption of IFRS (“IFRS 1”) provides an exemption that allows a Company to reset its cumulative translation account to zero at the date of transition, with the balance being transferred to opening retained earnings. The Company is currently assessing the impact of any cumulative translation differences related to the Company’s Franchise Agreement asset and Future Income Tax liability at the transition date prior to determining whether it will elect to apply this first time adoption option.

Stock based compensation

The Company accounts for stock options issued under its stock option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Expected IFRS accounting policy:

The Company has not finalized analyzing the impact of IAS 2 *Share Based Compensation* with respect to the accounting for stock based compensation.

Summary of the IFRS changeover plan

The plan addresses the impact of IFRS on Accounting policies and implementation decisions, Infrastructure, Business activities and Control activities. A summary status of the key elements of the changeover plan is as follows:

	Key Activities	**Status**
Accounting policies and implementation decisions	Identification of differences in Canadian GAAP and IFRS accounting policies; Selection of the Company's ongoing IFRS policies; Selection of the Company's IFRS 1 First-time Adoption of IFRS choices; Development of financial statement format; Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements.	The Company has identified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, made in accordance with IFRS 1; The Company will continue to progress towards the quantification of the identified differences and choices throughout 2010.
Infrastructure: Financial reporting expertise	Development of IFRS expertise.	The Company has and will continue to provide training for key employees until the full adoption of IFRS in 2011,
Infrastructure: Information technology and data systems	Identify and addresses IFRS differences that require changes to financial systems; Identify and address additional data capture and reporting requirements to financial systems; Evaluate and select methods to address the need for dual record keeping during 2010 (IFRS and Canadian GAAP), for 2010 IFRS comparatives, and 2011 budget and planning purposes.	The Company has identified system requirements, and will upgrade current financial systems in the second half of 2010; The Company has commenced data capture and will complete this task by the fourth quarter of 2010; The Company will address the method of dual record keeping by the end of the third quarter of 2010.

	Key Activities	**Status**
Business activities: Financial covenants	Identification of impact on financial covenants and business practices; Completion of any required renegotiations/changes by the third quarter of 2010.	The Company is in the process of analyzing the contractual implications of IFRS on any financing relationship and other arrangements.
Business activities: Compensation arrangements	Identification of impact on compensation arrangements; Assessment of required changes by the third quarter of 2010.	The Company is in the process of analyzing any compensation policies that rely on indicators derived from the financial statements.
Control activities: Internal control over financial reporting	For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting ("ICFR") design and effectiveness implications; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to ICFR.
Control activities: Disclosure control and procedures	For all accounting policy changes identified, assessment of Disclosure Controls and Procedure ("DC&P") design and effectiveness implications; Implementation of appropriate changes by the second quarter of 2010.	The Company is in the process of analyzing any issues with respect to DC&P.

Transactions with Related Parties

Mr. Mark MacMillan, a director of the Company, is the owner of the Tampa Bay, FL Proshred franchise. Included in accounts and notes receivable at June 30, 2010, is $11,547 (December 31, 2009 - $13,657) due from Mr. MacMillan's franchise. During the six months ended June 30, 2010, the Company earned royalty and service fees amounting to $38,959 (June 30, 2009 - $34,388).

Included in general, administrative and marketing expense for the six months ended June 30, 2010 are insurance premiums amounting to $12,000 (June 30, 2009 - $12,000) paid to Alfred J. Bell & Grant Ltd, a company owned by Mr. Phillip Gaunce, a director of the Company.

All related party transactions have been recorded at their exchange amounts.

Risks and Uncertainties

Please refer to the 2009 Management Discussion and Analysis for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2009, the Company's fiscal year end.

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 June 30, 2010, there were 28,884,658 issued and outstanding common shares. As at June 30, 2010 there were 1,687,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. As of August 10, 2010 there are 28,884,658 common shares, 1,687,500 options to acquire common shares and 4,000,000 warrants to acquire common shares.

Contingencies

On June 18, 2010, three franchisees that operate Proshred Franchises filed a complaint with the United States District Court, Southern District of New York. The Complaint has listed the following causes of action, (1) breach of contract and breach of the implied covenant of good faith and fair dealing by the company's subsidiary Proshred Franchising Corp. ("PFC"), (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. These franchisees are located in Florida, North Carolina and Wisconsin. Subsequent to the period ended June 30, 2010, one additional franchisee located in New York State joined the aforementioned complaint.

The Company (including its subsidiary PFC) is strongly of the view that it (1) has not breached any contracts or agreements with its franchisees and has acted in good faith with all franchisees, (2) has not fraudulently misrepresented any franchisees, (3) has not negligently misrepresented any franchisees, and (4) has complied with all state laws as well as Federal Trade Commission rules and regulations regarding franchising.

The Company intends to vigorously defend against this unwarranted claim, however, the final outcome with the respect to this claim cannot be predicted with certainty and therefore there can be no assurance that its resolution will not have an adverse effect on the Company's consolidated financial position.

Subsequent Event

On July 26, 2010 the Company awarded the San Diego, CA franchise. The franchise consists of 2.9 territories. Training of the new franchisee is expected to be completed in August of 2010, with operations commencing in early fall 2010.

Dated: August 10, 2010