

Table of Contents

Forward Looking Statements	2
Non-IFRS Measures.....	3
Basis of Presentation.....	3
Overview of Redishred Capital Corp.....	4
Worldwide locations.....	6
Performance Compared to 2013 Goals and Objectives	7
Overall Performance	8
Franchising & Licensing.....	9
System Sales.....	9
Total Franchising Revenues.....	13
Operating Expenses	14
Amortization – Franchising	14
Corporate Operations	15
Miami Operations	16
Operating loss	16
Foreign exchange.....	17
Interest income and expense.....	17
Income Tax.....	17
Net Loss	17
Selected Quarterly Results	18
Balance Sheet.....	19
Financial Condition, Capital Resources and Liquidity.....	20
Capital Assets.....	20
Off-Balance Sheet Financing Arrangements	20
Transactions with Related Parties	21
Risks and Uncertainties	21
Use of estimates and judgements.....	21
Investor Relations Activities.....	22
Share Data	22
Contingencies.....	22
Subsequent Events	22

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 interim 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 unaudited consolidated interim financial statements for the three and six months ended June 30, 2013 and 2012. Additional information on Redishred, including these documents and the Company's 2012 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at August 27th, 2013.

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 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 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 locations,
 - d. the economic circumstances in certain regions of the United States,
 - e. the number and size of acquisitions,
 - f. the growth of sales achieved in corporate locations,
 - g. the level of corporate overhead,
 - h. the outcome of current litigation,
- (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) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms;
- (iv) 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;
- (v) recycling revenues may be impacted by commodity paper prices which will vary with market conditions both in the United States and Internationally;
- (vi) the commencement of new franchise operations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution; and

- (vii) the anticipated corporate results which may be impacted by the ability of the Company to attain the anticipated cost savings and by the performance of the local economies.

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 2013 and 2012.
- EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a performance measure used to assess our 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 the 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 it operates.

Overview of Redishred Capital Corp.

Redishred Capital Corp., based in Mississauga, Ontario, Canada operates the Proshred franchising business (defined as the business of granting and managing franchises in the United States and by way of master license arrangement in the Middle East) as well as 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 June 30, 2013, there were 24 operating Proshred locations in the United States comprised of 104.1 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).

On June 24, 2013, the Company entered into an agreement with a new franchisee to operate a Proshred shredding business in San Francisco/San Jose, California. The franchise comprises 6.3 territories and is expected to commence operations in the third quarter of 2013. On July 10, 2013, the Company entered into an agreement with a new franchisee to operate a Proshred shredding business in Seattle, Washington. The Seattle franchise comprises 3.4 territories and is expected to commence operations in the third quarter of 2013.

As of June 30, 2013, the Company operates the Syracuse, Albany, Milwaukee and New York City locations directly. Subsequent to the second quarter, on August 1, 2013, the Company acquired the Proshred Charlotte business from an existing franchisee. The Charlotte location has been operated directly by the Company since August 1, 2013. The Miami business is currently jointly operated by Redishred and one of the Company's franchise locations (refer to 'Transactions with Related Parties' and 'Miami Operations'). The Company has determined that the Miami location can be operated from its newly acquired Charlotte location and its' assets are no longer held for sale. The Company expects to commence operations directly in the fourth quarter of 2013.

As of June 30, 2013, the Company also has one international master license to operate in the Middle East¹. There are 5 Proshred locations in the Middle East in operation, including Doha, Qatar, Dubai, UAE, Abu Dhabi, UAE, Riyadh, Saudi Arabia and Jeddah, Saudi Arabia.

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
JUNE 30, 2013**

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.	CHARLOTTE, NC	April 2006 ⁽²⁾	3.3
5.	PHILADELPHIA, PA	September 2006	5.0
6.	KANSAS CITY, MO	December 2006	4.0
7.	NEW HAVEN, CT	April 2007	3.6
8.	CHICAGO, IL (includes North and South Territories)	April 2007	7.2
9.	RALEIGH, NC	June 2007	4.7
10.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
11.	N. VIRGINIA, VA	July 2008	3.8
12.	ORANGE COUNTY, CA	September 2009	3.0
13.	SAN DIEGO, CA	October 2010	2.9
14.	INDIANAPOLIS, IN	June 2011	2.6
15.	ATLANTA, GA	January 2012	6.3
16.	PHOENIX, AZ	January 2012	4.2
17.	DALLAS, TX	March 2012	6.3
18.	HOUSTON, TX	November 2012	5.7
19.	RICHMOND, VA	March 2013	3.2
<i>Franchised territories in operation</i>			80.7
No.	Corporate locations	Operating since	Territories
20.	SYRACUSE, NY	March 2004 ⁽¹⁾	2.5
21.	ALBANY, NY	April 2003 ⁽¹⁾	1.2
22.	MILWAUKEE, WI	August 2003 ⁽¹⁾	2.7
23.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008 ⁽¹⁾	11.3
24.	MIAMI, FL	June 2008 ⁽¹⁾	5.7
<i>Corporate territories in operation</i>			23.4
Grand Total			104.1
No.	Pending franchise locations	Expected Operation	Territories
1.	SAN FRANCISCO/SAN JOSE, CA	Third Quarter 2013	6.3
2.	SEATTLE, WA	Third Quarter 2013	3.4

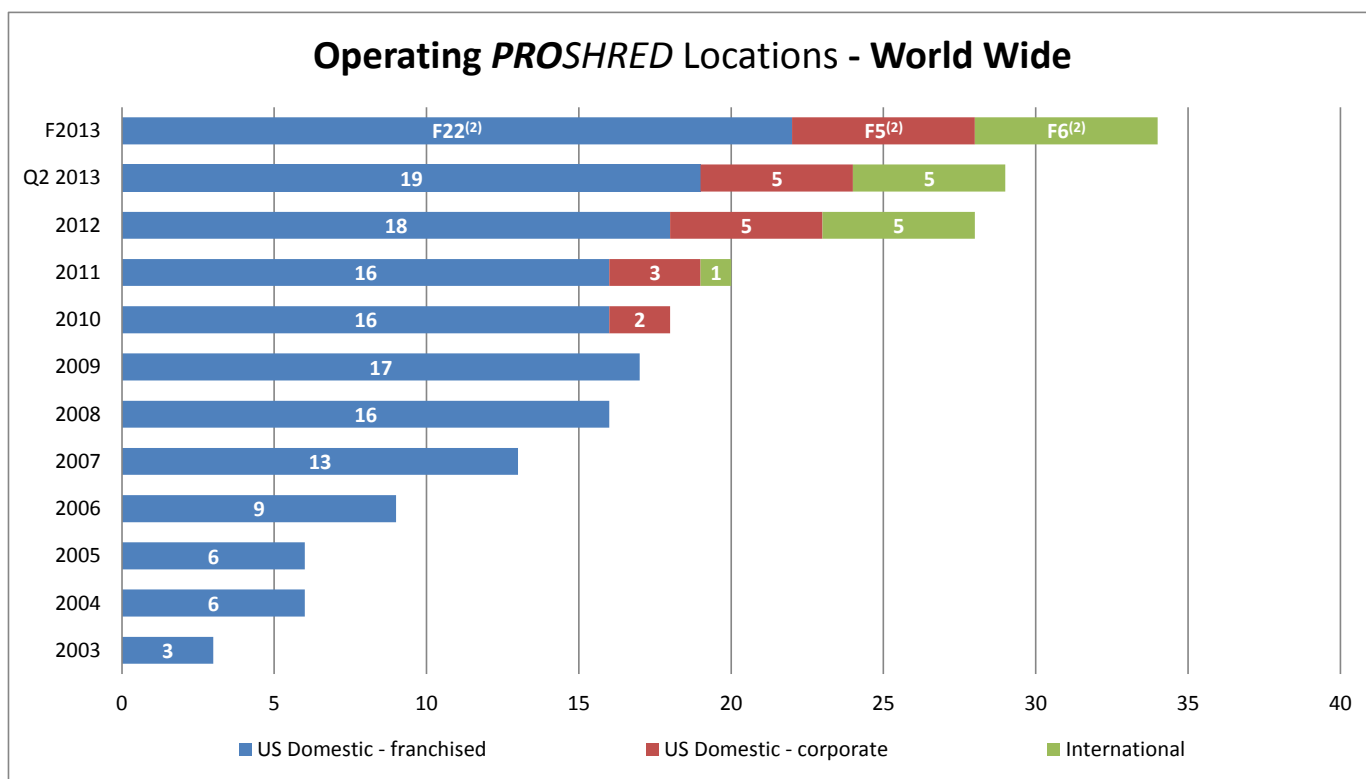
(1) Syracuse has been corporately operated since May 1, 2010; Albany has been corporately operated since July 1, 2010; Milwaukee has been corporately operated since January 1, 2011 and New York City has been corporately operated since January 1, 2012. The Miami, FL business has been operated by the Company's franchise location in Tampa Bay, FL, since July 13, 2012.

(2) Subsequent to the second quarter, the Company acquired the Charlotte, NC franchise and it has been corporately operated since August 1, 2013.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

No.	International locations	Operating since	Territories
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	-

Worldwide locations



(1) The information prior to the March 17th, 2008 qualifying transaction was obtained from the predecessor Company.
(2) Management's forecast for the year ended December 31, 2013.

Performance Compared to 2013 Goals and Objectives

In the Company's 2012 Annual Report, management stated its 2013 goals and objectives. A review of the Company's performance in meeting these goals and objectives is included below:

2013 Goals and Objectives	Performance during the three and six months ended June 30, 2013	Comments
<p>Grow system sales from all locations by 10% to \$16.4M USD compared to 2012.</p>	<p>During the second quarter of 2013, system sales grew by 17% in comparison to the comparative 2012 period. Redishred's:</p> <ul style="list-style-type: none"> • scheduled system sales grew by 16% (same store sales grew by 15%); • unscheduled system sales grew by 27% (same store sales grew by 23%); • recycling system sales increased by 7% (same store sales increased by 6%). <p>During the six months ended June 30, 2013, system sales grew by 14% in comparison to the same period in 2012. Redishred's:</p> <ul style="list-style-type: none"> • scheduled system sales grew by 14% (same store sales grew by 13%); • unscheduled system sales grew by 19% (same store sales grew by 14%); • recycling system sales increased by 5% (same store sales increased by 3%). 	<p>Redishred is on target to achieve its annual goal.</p>
<p>Award at least four franchise locations.</p>	<p>Subsequent to the 2nd quarter, Redishred awarded two new franchise locations in San Francisco/San Jose, California and Seattle, Washington. Redishred continues to discuss franchise opportunities with potential franchise candidates.</p>	<p>Redishred believes it will attain its goal of awarding at least four franchise locations.</p>
<p>Achieve a minimum of \$800,000 in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee and New York City).</p>	<p>Redishred earned \$479,379 in EBITDA from its Corporate locations during the six months ended June 30, 2013</p>	<p>Redishred is on target to achieve its annual goal.</p>

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the 3 and 6 months ended June 30, 2013 and 2012.

(in CDN except where noted)	3 months ended June 30			6 months ended June 30		
	2013	2012	%	2013	2012	%
	\$	\$	Change	\$	\$	Change
Franchise sales and revenue data:						
System sales (USD)	4,406,210	<u>3,751,552</u>	17%	8,429,727	<u>7,405,531</u>	14%
Total Revenue	1,060,860	965,831	10%	1,980,215	2,066,881	(4)%
Franchise and license fees	1,394	694	100%	2,559	94,919	(97)%
Royalties and service fees	258,469	207,591	25%	484,156	408,479	19%
Franchise related revenue	259,863	208,285	25%	486,715	503,398	(3)%
Corporate location data⁽¹⁾:						
Corporate location revenue	800,997	757,546	6%	1,493,500	1,563,483	(4)%
Corporate location operating costs	(502,251)	(601,950)	17%	(996,942)	(1,207,494)	17%
Corporate location EBITDA	298,746	155,596	92%	496,558	355,989	39%
Depreciation – tangible assets	(58,743)	(62,291)	6%	(122,519)	(124,510)	2%
Interest expense	(161,511)	(140,199)	(15)%	(319,717)	(278,566)	(15)%
Operating income (loss) from corporate locations	78,492	(46,894)	267%	54,322	(47,087)	215%
On-going operating costs	(394,903)	(420,524)	6%	(774,673)	(807,904)	4%
One-time costs ⁽²⁾	-	(55,254)	100%	-	(124,517)	100%
Bad debt expense	-	-	-%	-	(15,089)	100%
Interest expense	(8,220)	-	(100)%	(16,440)	-	(100)%
Total operating costs	(403,123)	(475,778)	15%	(791,113)	(947,510)	18%
Operating loss	(64,768)	(315,387)	80%	(250,076)	(491,199)	49%
Operating loss – excluding one-time costs	(64,768)	(260,133)	75%	(250,076)	(366,683)	32%
Net loss	(68,280)	(418,385)	84%	(288,698)	(1,241,853)	77%
Net loss – excluding one-time costs⁽³⁾	(68,280)	(363,131)	82%	(288,698)	(765,272)	62%
Loss per share	(0.00)	(0.01)	84%	(0.01)	(0.04)	77%

(1) Corporate location data includes the Miami business results in 2013.

(2) One-time costs incurred during the six months ended June 30, 2012 are primarily legal fees related to the defence of the current and past franchisee litigation against the Company. As of June 30, 2013, only one franchise remained in the litigation.

(3) For the six months ending June 30, 2012, net loss – excluding one-time costs excludes \$352,065 of the loss on settlement of the pre-existing relationship related to the NYC acquisition and one-time costs related to the franchisee litigation.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 four corporate locations in Syracuse, Albany, Milwaukee and New York City. The Miami business is currently jointly operated by Redishred and one of the Company's franchise locations. The Company has determined that the Miami location can be operated from its newly acquired Charlotte location and is expected to commence operations directly in the fourth quarter of 2013. 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.

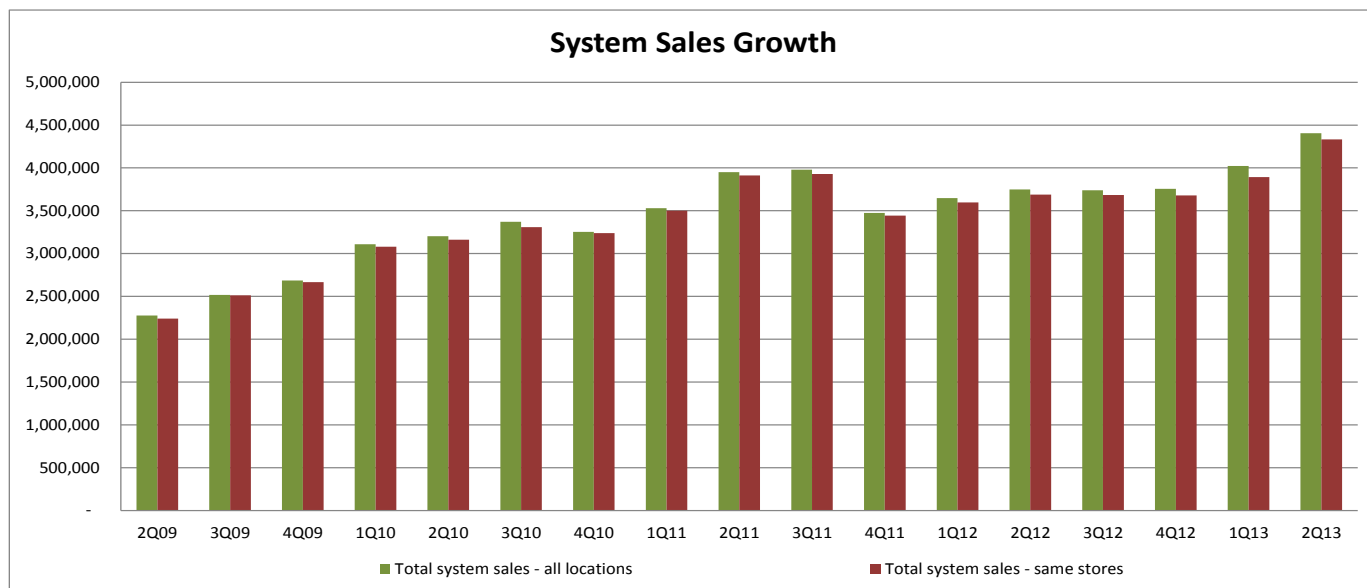
Franchising & Licensing

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 June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
Total world-wide operating locations at period end	29	25	16%	29	25	16%
Territories – United States	104.1	91.8	14%	104.1	91.8	14%
Total system sales (USD)	\$ 4,406,210	\$ 3,751,552	17%	\$ 8,429,727	\$ 7,405,531	14%
Total system sales (CDN)	\$ 4,474,506	\$ 3,823,207	17%	\$ 8,529,004	\$ 7,484,494	14%

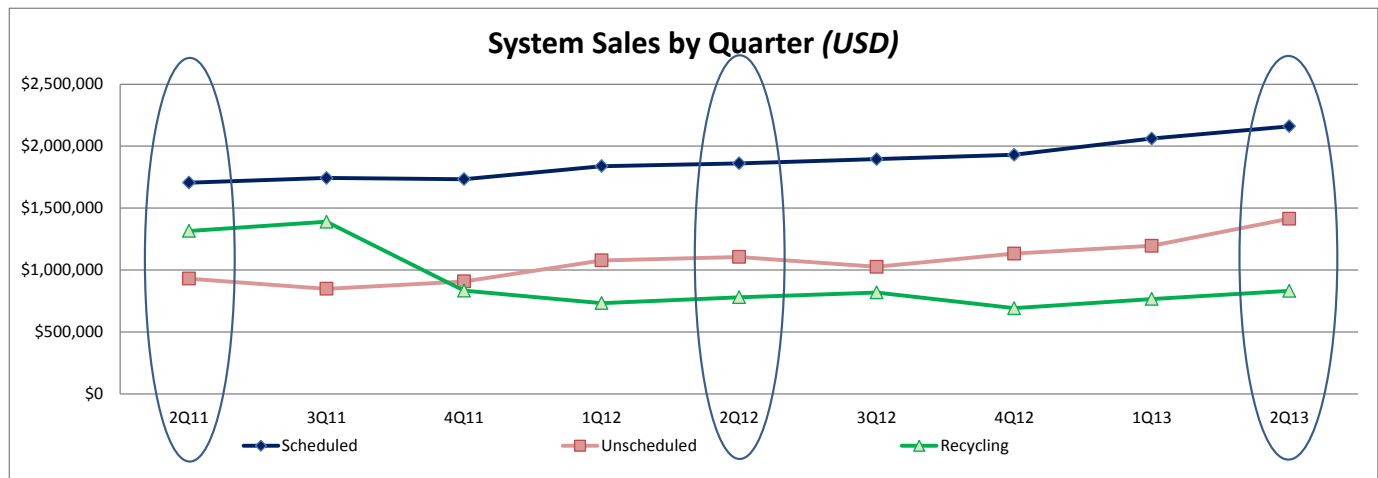
The following chart illustrates system sales growth by quarter since the 2nd quarter of 2009.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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\$3,574,454 for the six months ended June 30, 2013, growing by US\$603,321 or 20% over the same period of 2012.

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. This focus resulted in continued growth in this category in the first half of 2013 versus the first half of 2012. During the three months ended June 30, 2013, scheduled sales reached a record high of US\$2,160,180.

	3 months ended June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Scheduled service sales (USD)	2,160,180	1,861,610	16%	4,221,927	3,700,666	14%
Same store scheduled service sales (USD)	2,148,817	1,861,676	15%	4,183,668	3,700,092	13%

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 June 30, 2013, unscheduled sales reached a record high of \$1,414,274, growing 27% over the same period in 2012.

	3 months ended June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Unscheduled service sales (USD)	1,414,274	1,109,523	27%	2,609,942	2,189,681	19%
Same store unscheduled service sales (USD)	1,360,776	1,105,534	23%	2,489,975	2,182,594	14%

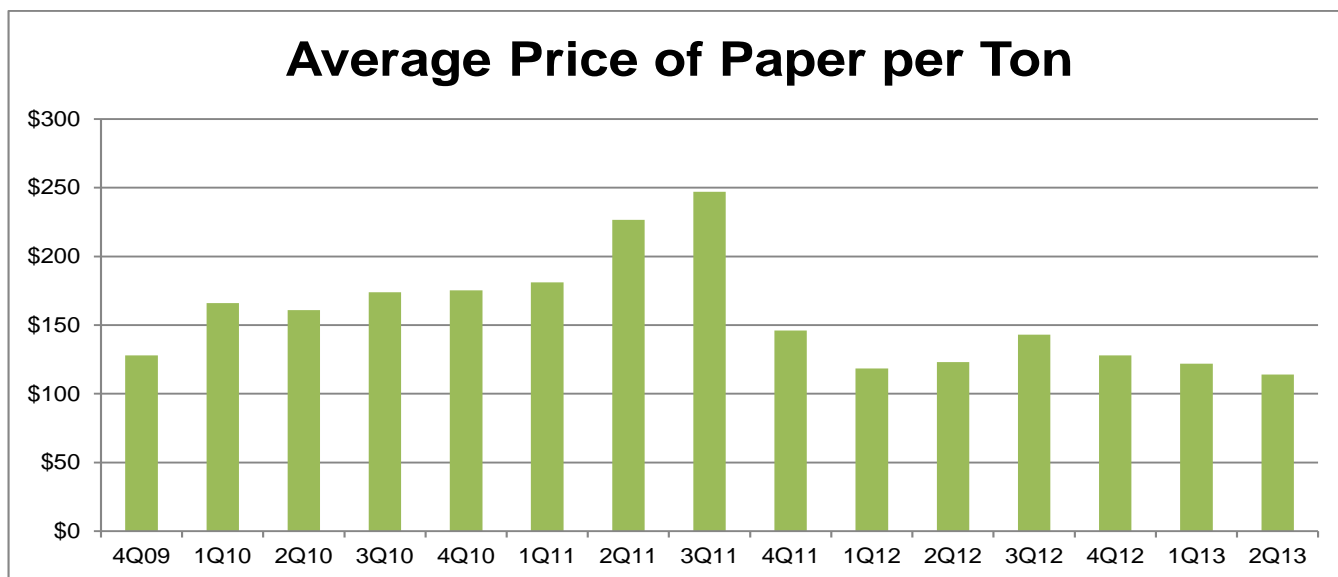
**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

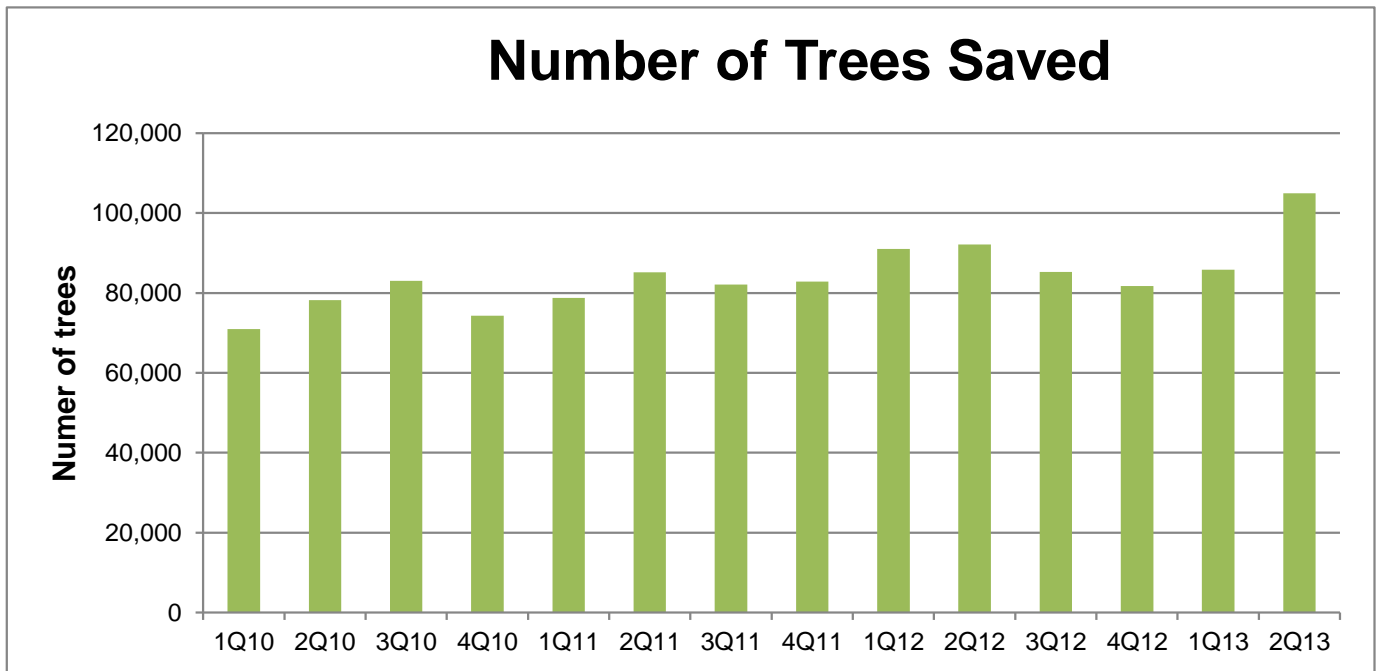
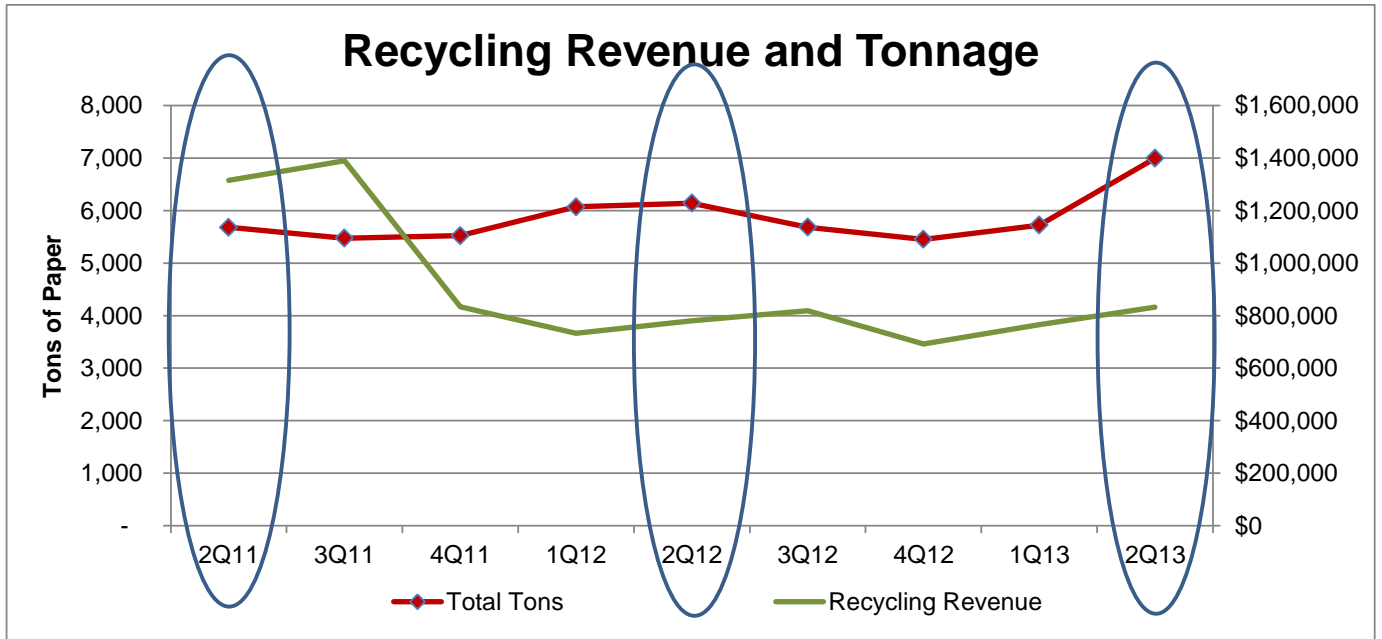
Recycling sales:

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. In the Proshred system, from the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52% to an average low of \$118 per ton. During the third and fourth quarter of 2012 the average price of recycled paper was \$135 per ton.

During the first quarter of 2013, the price of recycled paper slightly declined from the fourth quarter of 2012 to an average price of \$118 per ton. During the second quarter of 2013, the price of recycled paper declined to \$114 per ton. Recycling sales increased, despite this decline, due to the increased amount of paper tonnage. During the second quarter of 2013, the system shred and recycled 15% more paper than during the second quarter of 2012. The Proshred system shred and recycled 7,000 tons of paper during the second quarter of 2013. During the six months ended June 30, 2013, the Proshred system saved 190,000 trees (during the six months ended June 30, 2012 – 183,000).

	3 months ended June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Recycling sales (USD)	831,756	780,419	7%	1,597,858	1,515,185	5%
Same store recycling sales (USD)	824,561	780,280	6%	1,554,397	1,512,731	3%

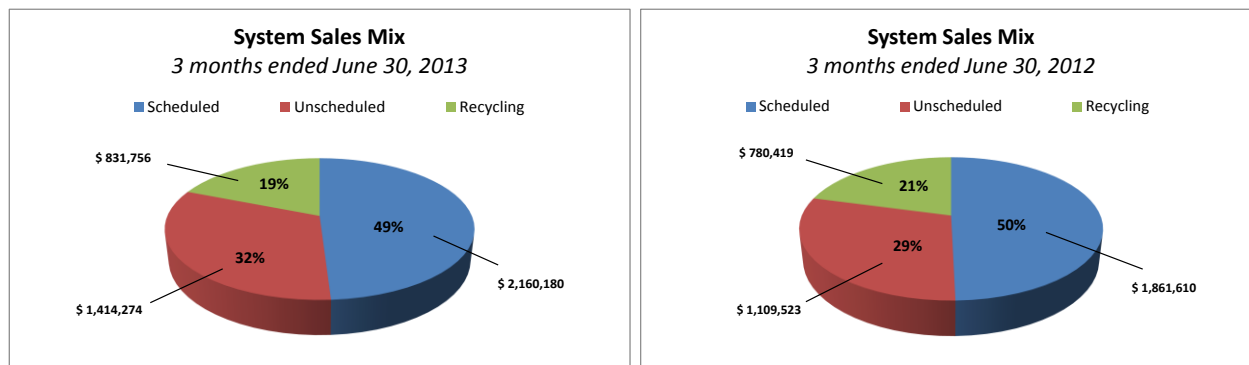




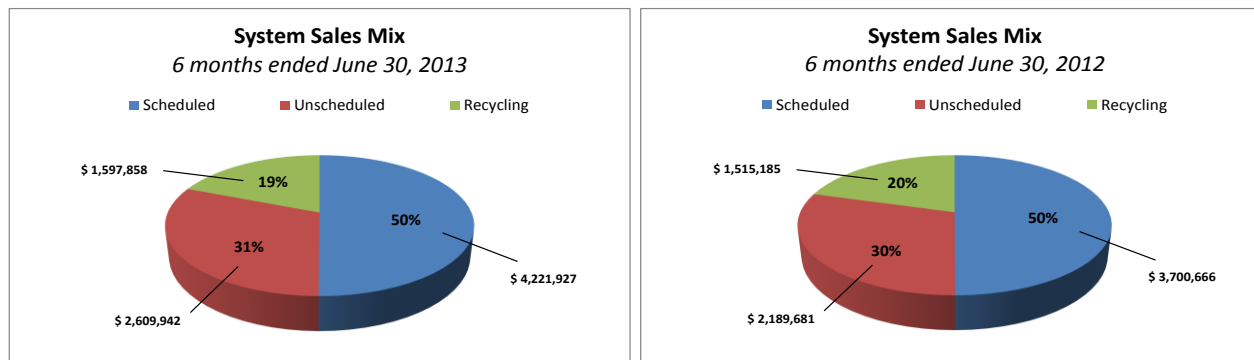
**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Mix of business:

Scheduled sales account for 49% of total sales for the quarter ended June 30, 2013 (June 30, 2012 – 50%). Unscheduled sales account for 32% of total sales for the three months ended June 30, 2013 (June 30, 2012 – 29%). Recycling sales account for 19% of total sales for the quarter ended June 30, 2013 (June 30, 2012 – 21%).



Scheduled sales account for 50% of total sales for the first half of 2013 (June 30, 2012 – 50%). Unscheduled sales account for 31% of total sales for the six months ended June 30, 2013 (June 30, 2012 – 30%). Recycling sales account for 19% of total sales for the first half of 2013 (June 30, 2012 – 20%).



Total Franchising Revenues

	3 months ended June 30			6 months ended June 30		
	2013	2012	% Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Franchise and license fees	1,394	694	101%	2,559	94,919	(97)%
Royalty and service fees	258,469	207,591	25%	484,156	408,479	19%
Total franchise and license related revenue	259,863	208,285	25%	486,715	503,398	(3)%

Royalties and service fees are charged for the use of the trademarks and system. Franchise and license fee revenue is generated when a franchise or license is awarded and training is completed. Royalty and service fees earned in 2013 were higher 19% than in 2012 due to increased system sales, including scheduled, unscheduled and recycling system sales (refer to 'System Sales'). 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 June 30, 2013, royalty and fee revenues were US\$255,896. For the six months ended June 30, 2013, royalty and fee revenues were US\$479,286.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Operating Expenses

	<i>3 months ended June 30</i>			<i>6 months ended June 30</i>		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Salaries	190,749	195,937	10%	396,672	406,823	2%
General, administrative and marketing – on-going	204,154	202,051	10%	378,001	378,545	0%
General, administrative and marketing – one-time costs	–	77,790	100%	–	147,053	100%
Bad debt expense	–	–	-%	–	15,089	100%
Interest expense	8,220	–	100%	16,440	–	100%
Total operating expenses	403,123	475,778	15%	791,113	947,510	16%

Operating expenses for the three and six months ended June 30, 2013 include expenses to support 29 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. Interest expense includes interest on the convertible debentures issued on December 31, 2012. The Company continues to closely monitor and control all operating expenses. For the three and six months ended June 30, 2012, one-time general, administration and marketing costs relate to the defence of the past and current litigation. As of August 27th, 2013, one franchisee remains a party to the legal complaint.

Amortization – Franchising

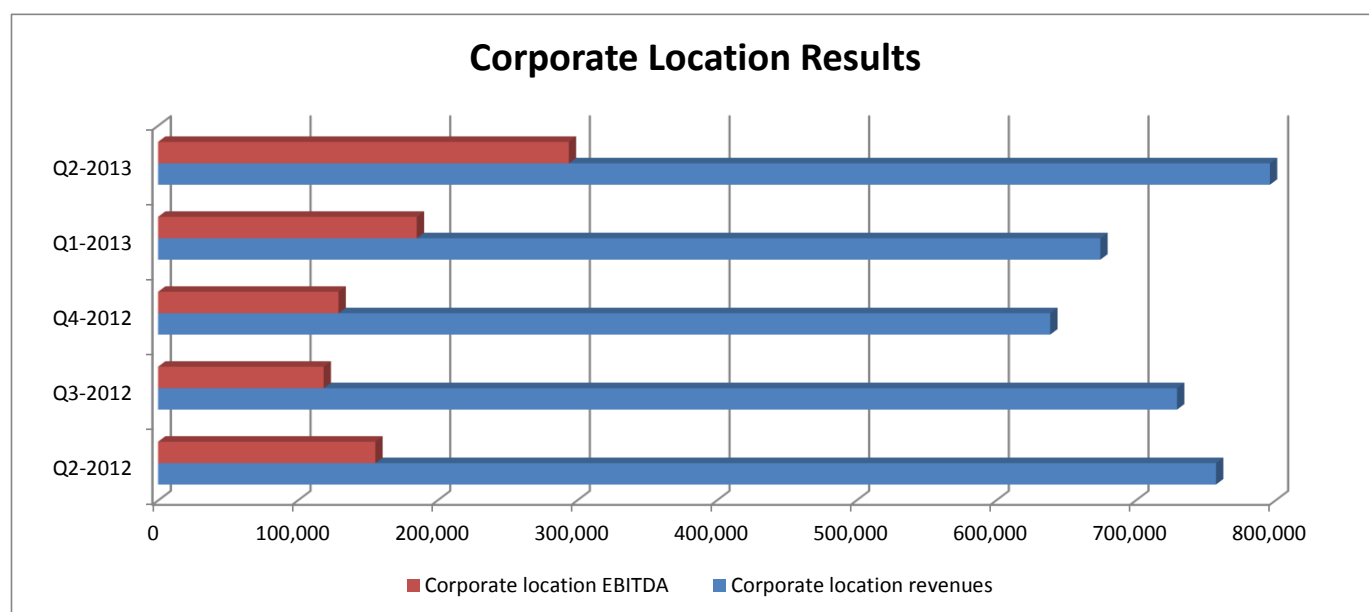
Amortization relates to the purchase of Professional Shredding Corporation (“PSC”) and the Proshred franchise business in 2008. For the three and six months ended June 30, 2013, amortization of intangibles related to the franchise and license operations decreased over the prior period due to the impairment of intangible assets of \$312,904 at December 31, 2012. Amortization is as follows:

	<i>3 months ended June 30</i>			<i>6 months ended June 30</i>		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Depreciation and amortization – Intangible assets	110,470	119,270	7%	219,987	238,256	8%

Corporate Operations

The Company directly operates four shredding operations in Syracuse, Albany, Milwaukee, and New York City. These locations represent the Company's corporately owned locations. The Miami business is currently operated by one of the Company's franchise locations. Refer to 'Miami Operations' and 'Transactions with Related Parties.'

	3 months ended June 30				6 months ended June 30			
	2013	% of revenue	2012	% of revenue	2013	% of revenue	2012	% of revenue
	\$		\$		\$		\$	
Revenue:								
Shredding service	644,078	82%	618,885	82%	1,198,305	81%	1,260,054	81%
Recycling	145,506	18%	138,661	18%	272,541	19%	303,429	19%
Total revenue	789,584	100%	757,546	100%	1,470,846	100%	1,563,483	100%
Operating costs	496,776	63%	601,950	79%	991,467	67%	1,207,494	77%
EBITDA	292,808	37%	155,596	21%	479,379	33%	355,989	23%



Shredding service and recycling revenue is generated by our corporate locations. These revenues are generated in US dollars which are translated at the average exchange rate for the period. For the three months ended June 30, 2013, shredding service and recycling revenues, denominated in US dollars were US\$777,532. For the six months ended June 30, 2013, shredding service and recycling revenues, denominated in US dollars were US\$1,448,396.

During the first quarter of 2013, the Syracuse and Milwaukee locations experienced significant truck down-time resulting in a decline in revenues during this period. During the second quarter of 2013, the Company refurbished the affected shredding vehicles to ensure high customer service levels are maintained. In the second quarter of 2013, the corporate locations revenues grew 18% over the first quarter of 2013.

During the three months ended June 30, 2013, the corporate locations revenues grew by 5% over the same comparative prior year period. The Company has also reduced its operating costs by 16% in the second quarter of 2013 over the second quarter of 2012. As a result, EBITDA increased 89% over the three months ended June 30, 2012.

Miami Operations

On May 27, 2013, the Company decided that the Miami business will be corporately operated and will no longer be held for sale. Prior to this date, the Company committed to a plan to sell the Miami business acquired on July 13, 2012 and classified the Miami business as a disposal group 'Held for sale' and as a discontinued operation. The Company has determined that the Miami location can be operated from its newly acquired Charlotte location (refer to 'Subsequent Events'). The Company is expected to operate the Miami location commencing in the fourth quarter of 2013. As the Miami business is no longer held for sale, the results of the operations of the entity previously presented in discontinued operations have been reclassified and included in income from continuing operations. The assets previously held for sale and liabilities directly associated with the assets classified as held for sale have been re-classified as current and non-current assets and liabilities. The Company currently has a joint arrangement with the franchise in Tampa Bay, Florida to operate the Miami business. The results of the Miami business for the period have been accounted for as a joint arrangement with the Tampa Bay franchise. Within the joint arrangement, the Company earns royalty and service fees on the gross Miami revenues (classified under 'Franchising revenues') and rental revenue for the use of the shredding vehicle. The Company incurs finance costs on the monthly truck loan payments and depreciation and amortization on the Miami tangible and intangible assets.

The Company earned \$22,654 in rental revenue during the six months ended June 30, 2013 from the Miami business. The Company incurred \$3,265 in finance costs associated with the truck loan payments and \$22,027 of depreciation and amortization related to the Miami tangible and intangible assets.

Depreciation and Amortization

Depreciation and amortization relates to the assets purchased in relation to the Syracuse, Albany, Milwaukee, and New York City corporate locations.

Depreciation and amortization are as follows:

	3 months ended June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Depreciation and amortization – equipment	58,743	62,291	(6)%	122,519	124,510	(2)%
Depreciation and amortization – intangibles	61,829	82,563	(25)%	119,112	164,489	(28)%
Depreciation and amortization	120,572	144,854	(17)%	241,631	288,999	(16)%

Operating loss

For the three months ended June 30, 2013, the Company posted an operating loss of \$64,768. During the six months ended June 30, 2013, the Company posted an operating loss of \$250,076. During the first half of 2013, in comparison to the prior year period, the Company reduced its' corporate store costs and its' general, administrative and marketing costs, which led to a reduction in operating loss. During the six months ended June 30, 2012 the operating loss was driven by increased professional fees related to the remaining litigation and transition costs related to the purchase of New York City.

	3 months ended June 30			6 months ended June 30		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Operating loss	(64,768)	(315,387)	80%	(250,076)	(491,199)	49%
Operating loss – excluding one-time costs	(64,768)	(260,133)	75%	(250,076)	(366,683)	32%

REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Foreign exchange

Foreign exchange gain (loss) was as follows:

	<i>3 months ended June 30</i>			<i>6 months ended June 30</i>		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Foreign exchange gain (loss)	160,444	87,059	84%	278,918	(21,637)	1389%

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.

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 9.5%. Interest expense increased in 2013 as a result of the following factors: the use of the line of credit to acquire the Miami business on July 13, 2012 and for general business purposes; and the interest on the convertible debentures issued on December 31, 2012.

	<i>3 months ended June 30</i>			<i>6 months ended June 30</i>		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Interest income	1,304	1,971	(34)%	3,949	2,453	61%
Interest expense	(169,731)	(140,199)	(21)%	(336,157)	(278,566)	(21)%

Income Tax

On March 17, 2008 the Company booked a future tax liability relating to the purchase of PSC and Proshred Franchising Corp. ("PFC"). During the six months ended June 30, 2013, the Company booked a tax recovery of \$24,929. 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.

Net Loss

	<i>3 months ended June 30</i>			<i>6 months ended June 30</i>		
	2013	2012	%Ch	2013	2012	%Ch
	\$	\$		\$	\$	
Net loss	(68,280)	(418,385)	84%	(288,698)	(1,241,853)	77%
Net loss – excluding one-time costs	(68,280)	(363,131)	82%	(288,698)	(765,272)	62%

For the six months ended June 30, 2012, net loss includes a \$352,065 loss on settlement of the pre-existing franchise relationship related to the acquisition of New York City. Net loss excluding one-time costs excludes the loss on settlement of the pre-existing franchise relationship and one-time legal costs associated with the defence of the past and current litigation of \$147,053.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Selected Quarterly Results

<i>(in CDN except where noted)</i>	2013		2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
System sales (USD)	4,406,210	4,023,517	3,754,629	3,738,939	3,751,552	3,622,856	3,474,657	3,978,639
Total Company revenue	1,060,860	919,355	919,809	1,073,287	965,831	1,101,050	1,083,597	757,315
Franchise and license fees	1,394	1,165	70,595	140,033	-	93,487	371,381	-
Royalty and service fees	258,469	225,687	210,420	203,609	208,285	201,627	229,033	243,535
Total revenue from franchising and licensing	259,863	226,852	281,015	343,642	208,285	295,114	600,414	243,535
On-going operating costs	(394,903)	(379,770)	(441,772)	(343,330)	(420,524)	(402,470)	(495,516)	(409,908)
One-time costs	-	-	(22,222)	(62,223)	(55,254)	(69,262)	(151,525)	(315,541)
Broker fees	-	-	(24,139)	(43,950)	-	-	(98,197)	-
Interest expense	(8,220)	(13,027)	-	-	-	-	-	-
Total operating expenses	(403,123)	(392,797)	(488,133)	(449,503)	(475,778)	(471,732)	(745,237)	(725,449)
Total operating income (loss) – franchising and licensing	(143,260)	(165,945)	(207,118)	(105,861)	(267,493)	(176,618)	(144,823)	(481,914)
Corporate locations revenue	800,997	692,503	638,794	729,645	757,546	805,936	483,183	513,780
Corporate locations operating costs	(502,251)	(494,692)	(509,561)	(611,075)	(601,950)	(605,545)	(316,772)	(288,551)
Corporate locations EBITDA	298,746	197,811	129,233	118,570	155,596	200,391	166,411	225,229
Depreciation – tangible assets	(58,743)	(53,776)	(39,044)	(67,667)	(62,291)	(62,219)	(34,271)	(32,507)
Interest expense	(161,511)	(153,399)	(161,915)	(151,488)	(140,199)	(138,367)	(78,240)	(70,322)
Total operating income (loss) - corporate	78,492	(9,364)	(71,726)	(100,585)	(47,894)	(195)	53,900	122,400
Total operating income (loss) – excluding one-time costs - Company	(64,768)	(175,309)	(256,629)	(144,223)	(260,133)	(107,551)	60,602	(43,973)
Income (loss) before taxes from continuing operations	(80,840)	(232,787)	(1,127,760)	(598,083)	(434,076)	(842,160)	324,925	(312,605)
Income (loss) attributable to owners of the parent	(68,280)	(220,417)	(969,287)	(591,396)	(418,385)	(823,470)	423,409	(309,946)
Income (loss) excluding one-time costs	(68,280)	(220,417)	(179,960)	(561,643)	(363,131)	(403,508)	(14,297)	5,595
Basic and diluted net income (loss) per share	(.00)	(.01)	(.04)	(.02)	(.01)	(.03)	.00	(.01)

Selected Quarterly Results (continued)

Scheduled and unscheduled system sales continue to grow each quarter, 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.

In the Proshred system, during the third quarter of 2011, the price of recycled paper products grew to near record highs of \$247 per ton, on average. From the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52%. During the third and fourth quarter of 2012 the average price of recycled paper was \$135 per ton. During the first quarter of 2013 the price of recycled paper slightly declined to an average price of \$118 per ton. During the second quarter of 2013, the price of recycled paper declined to \$114 per ton. Refer to 'Recycling Sales' on page 12.

Balance Sheet

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
	\$	\$
Working capital	101,279	442,340
Total assets	6,971,721	7,307,860
Total liabilities	7,783,806	7,782,856

On December 31, 2012, 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 such deferred interest payment shall 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. All of the Debentures have been acquired by insiders of Redishred.

On January 3, 2013, the Company traded in one of its shredding vehicles for a larger shredding vehicle. The related loan and security agreement entered into on August 8, 2012, in the amount of US\$121,000, was replaced with a new loan and security agreement. The loan and security agreement for US\$119,906 is repayable with monthly blended payments of principal and interest of US\$2,382 maturing January 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle.

On January 31, 2013, the Company entered into a loan and security agreement in the amount of US\$171,516, repayable with monthly blended payments of principal and interest of \$3,407 maturing February 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle.

The Company has drawn from its \$6.03 million line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, and Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes. The line of credit facility is repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum and secured by a general security agreement over the Company's assets.

The Company issued no 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. 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. The line of credit is repayable on November 27, 2014 with interest payments due semi-annually. 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.

On December 31, 2012, the Company obtained debt funding, directly or indirectly from the Company's insiders. 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 such deferred interest payment shall 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 addition, the Company has implemented a cost reduction strategy which includes the elimination of its baling facility in New York City and reducing costs throughout its corporate locations. Subsequent to the first quarter of 2013, the Company sold its baling equipment and remaining equipment related to the baling facility closure. The Company has taken a strong sales focused approach and has dedicated sales leads in each corporate location to grow revenues and cash flows. Subsequent to the second quarter, the Company acquired the Proshred Charlotte business from an existing franchisee, which the Company believes will be accretive to its' cash flows and lead to positive cash flows for the Company. In addition, Redishred has determined that the Miami location can be operated from its newly acquired Charlotte location which will further drive increased sales and cash flows. The Company also continues 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 June 30, 2013, current liabilities of \$746,218 (December 31, 2012 - \$700,509) 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 (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	168,944
Between 1 and 5 years	446,406
Over 5 years	9,195
Total	624,545

Capital Assets

<i>As at,</i>	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>% Ch</u>
	\$	\$	
Net book value	1,380,268	1,112,105	24%

During the six months ended June 30, 2013, capital assets (not including intangible assets) increased as a result of the purchase of two new shredding vehicles for the New York City location. In addition, the net book value of capital assets at June 30, 2013 includes the Miami truck previously classified as held for sale.

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 June 30, 2013, is \$345 (December 31, 2012 - \$1,945) due from this franchise. During the six months ended June 30, 2013, the Company earned royalty and service fees amounting to \$42,801 (for the six months ended June 30, 2012 - \$39,423) from this franchise.

The Director's franchise is currently jointly managing the Proshred Miami business acquired by the Company. The Company earned royalty and service fees of \$13,779 during the six months ended June 30, 2013 from the Miami operations. Included in accounts receivable at June 30, 2013 is \$2,072 due from the Miami operations (December 31, 2012 - \$2,528).

The Company has a line of credit facility with a related party entity, one of the Company's significant shareholders, for a maximum of \$6.03 million, repayable on November 27, 2014, 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.

Included in selling, general and administrative expenses for the six months ended June 30, 2013 are insurance premium amounts of \$9,275 (for the six months ended June 30, 2012- \$9,843) paid to an insurance brokerage firm, managed by a Director of the Company.

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, in aggregate, to this group. 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.

Subsequent to the second quarter of 2013, the Company acquired the Proshred Charlotte business from an existing franchisee. In order to finance the acquisition, Proshred Charlotte Inc. has obtained loans aggregating \$1,250,000 from a group comprised of members of the Company's Board of Directors and their affiliates and associates.

Risks and Uncertainties

Please refer to the Redishred 2012 Annual Report 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, 2012, the Company's fiscal year-end.

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. The significant areas of judgements, estimates and assumptions are set out in Note 4 of the consolidated financial statements found in Redishred's 2012 Annual Report. The most significant estimates relate to the impairment and reversals of impairment of tangible and intangible assets. During the most recent interim period, there have been no changes in the Company's accounting policies or procedures and other processes that have materially affected, or are reasonably likely to materially affect, the Company's accounting judgements, estimates and assumptions.

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, 2013, there were 28,884,658 issued and outstanding common shares. As at June 30, 2013 there were 1,423,750 options to acquire common shares and 4,000,000 warrants to acquire common shares. During the six months ended June 30, 2013, 267,500 stock options expired. There have been no stock options granted during the six months ended June 30, 2013 (during the six months ended June 30, 2012 – 10,000). As of August 27th, 2013 there are 28,884,658 issued and outstanding common shares, 1,473,750 options to acquire common shares and 4,000,000 warrants to acquire common share. There are 1,250,000 common shares issuable on conversion of the debentures.

Contingencies

During the second quarter of 2010, four franchisees filed a complaint with the United States District Court, South District of New York, which management of the Company believes is without merit. 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 Proshred Franchising Corp. ("PFC"), (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. As of June 30, 2013 and August 27th, 2013, one franchisee remains in the legal complaint and three franchisees have permanently withdrawn.

The Company intends to vigorously defend against this remaining claim. The Company 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 made any fraudulent misrepresentations to any franchisees, (3) has not made any negligent misrepresentations to any franchisees, and (4) has complied with all state laws as well as Federal Trade Commission rules and regulations regarding franchising.

The final outcome with respect to this claim cannot be predicted nor can the costs to defend this claim be quantified 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. No amounts, other than legal costs, have been accrued in these consolidated financial statements relating to this claim.

Subsequent Events

On June 24, 2013, the Company entered into an agreement with a new franchisee to operate a Proshred shredding business in San Francisco/San Jose, California. The franchise fee of US\$153,650 associated with this new franchise will be recognized in the third quarter of 2013. The Company expects its new franchise to commence operations in the third quarter of 2013.

On July 10, 2013, the Company entered into an agreement with a new franchisee to operate a Proshred shredding business in Seattle, Washington. The franchise fee of US\$102,550 associated with this new franchise will be recognized in the third quarter of 2013. The Company expects its new franchise to commence operations in the third quarter of 2013.

On August 1, 2013, the Company acquired the Proshred Charlotte business from an existing franchisee for an aggregate purchase price of \$1,300,000. In order to finance the acquisition, Proshred Charlotte Inc. has obtained loans aggregating \$1,250,000 from a group comprised of members of the Company's Board of Directors and their affiliates and associates.

Dated: August 27th, 2013

