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Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated 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, 2016 and 2015. Additional information on Redishred, including these documents and the Company's 2015 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at August 29, 2016.

Forward Looking Statements

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

(i) the Company's ability to achieve certain levels of cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due over the next twelve months, which may be impacted by:

   a. the growth of the system sales achieved by existing and new locations,
   b. the growth of sales achieved in corporate locations,
   c. the economic circumstances in certain regions of the United States,
   d. the level of corporate overhead,
   e. the number of new franchises awarded,
   f. the size of franchise territories awarded,
   g. number and size of acquisitions,
   h. the exchange rate fluctuations between the US and Canadian dollar,
   i. the outcome of potential litigation,

(ii) anticipated system sales, royalty revenue and corporate store revenue, which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft and corporate security issues;

(iii) recycling revenues may be impacted by commodity paper prices which will vary with market conditions both in the United States and Internationally;

(iv) the anticipated corporate results which may be impacted by the ability of the Company to attain the anticipated sales and efficiencies; and by the performance of the local economies;

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

(vi) the commencement of new franchise and/or licenced operations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution;

(vii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms;

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

Non-IFRS Measures

There are measures included in this MD&A that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- System sales are revenues generated by franchisees, licensees and corporately operated locations. The system sales generated by franchisees and licensees drive the Company's royalties. The system sales generated by corporate locations are included in the Company's revenues.

- Same store system sales results, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in 2016 and 2015.

- EBITDA is defined as earnings before interest, taxes, depreciation and amortization, reversal of impairment and gains or losses on sale of assets and corporate overhead. EBITDA is a performance measure used to assess the corporate locations' performance.

- Operating income is defined as revenues less operating costs, depreciation and amortization related to the tangible assets. Depreciation and amortization for intangible assets has not been included in this calculation.

- Corporate operating income is the income generated by corporately operated locations. The operating income 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.

Basis of Presentation

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

Overview of Redishred Capital Corp.

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

As of June 30, 2016, there were 28 operating Proshred locations in the United States comprised of 120.1 territories. A territory in the United States is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). The Company operates 6 Proshred locations directly, including Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami.

As of June 30, 2016, the Company also has one international master license to operate in the Middle East[1]. There are seven Proshred locations in operation in the Middle East, including Doha, Qatar, Dubai, UAE, Abu Dhabi, UAE, Riyadh and Jeddah, Saudi Arabia, Beirut, Lebanon and Muscat, Oman.

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

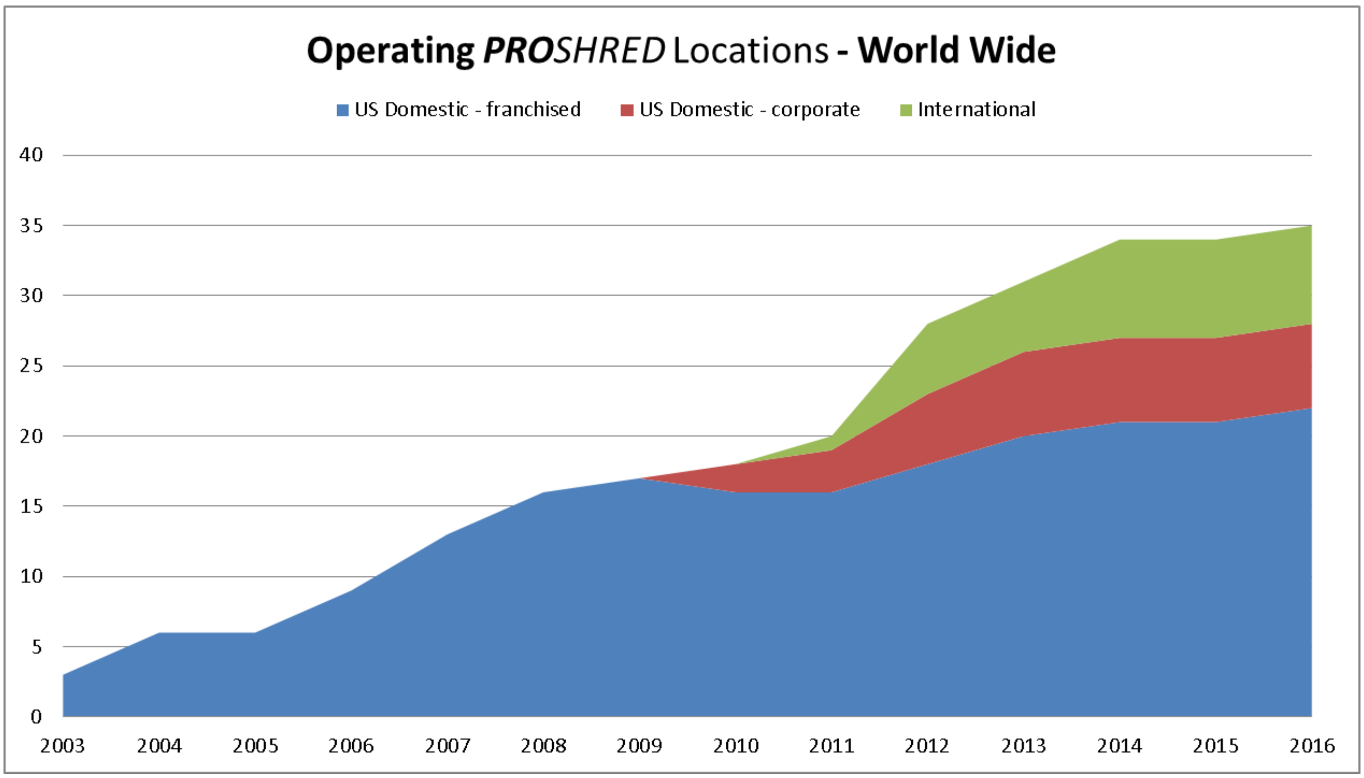
The Company's location list is as follows:

No.	Franchise locations	Operating since	Territories
1.	SPRINGFIELD, MA	June 2003	2.3
2.	TAMPA BAY, FL	March 2004	2.1
3.	DENVER, CO	August 2004	3.8
4.	PHILADELPHIA, PA	September 2006	5.0
5.	KANSAS CITY, MO	December 2006	4.0
6.	NEW HAVEN, CT	April 2007	3.6
7.	CHICAGO, IL (includes North and South Territories)	April 2007	7.2
8.	RALEIGH, NC	June 2007	4.7
9.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
10.	N. VIRGINIA, VA	July 2008	3.8
11.	ORANGE COUNTY, CA	September 2009	3.0
12.	SAN DIEGO, CA	October 2010	2.9
13.	INDIANAPOLIS, IN	June 2011	2.6
14.	ATLANTA, GA	January 2012	6.3
15.	PHOENIX, AZ	January 2012	4.2
16.	DALLAS, TX	March 2012	6.3
17.	HOUSTON, TX	November 2012	5.7
18.	RICHMOND, VA	March 2013	3.2
19.	SAN FRANCISCO/SAN JOSE, CA	October 2013	6.3
20.	SEATTLE, WA	October 2013	3.4
21.	SOUTHERN NEW JERSEY	May 2014	3.6
22.	MINNEAPOLIS, MN	February 2016	2.7
		Franchised territories in operation	*93.4*
No.	**Corporate locations**	**Operating since**	**Territories**
23.	SYRACUSE, NY	March 2004(1)	2.5
24.	ALBANY, NY	April 2003(1)	1.2
25.	MILWAUKEE, WI	August 2003(1)	2.7
26.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008(1)	11.3
27.	MIAMI, FL	June 2008(1)	5.7
28.	CHARLOTTE, NC	April 2006(1)	3.3
		Corporate territories in operation	*26.7*
No.	**Pending locations at June 30, 2016**	**Opened**	**Territories**
29.	ST. LOUIS, MO	August 2016	2.0
30.	ORLANDO, FL	August 2016	1.4
		Grand Total	***123.5***

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

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

Worldwide locations



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

Performance Compared to 2016 Goals and Objectives

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

2016 Goals and Objectives	**Performance during the six months ended June 30, 2016**	**Comments**
Grow system sales from all locations by 10% to $27.4M USD compared to 2015.	Total system sales were $14.4M USD during the first six months of 2016 growing by 19% over the comparative 2015 period. Redishred's: • scheduled system sales grew by 20% (same store sales grew by 20%); • unscheduled system sales grew by 29% (same store sales grew by 28%); • recycling system sales decreased by 1% (same store sales decreased by 1%).	**Redishred is on target to achieve or exceed its annual goal.**
Award at least four franchise locations and complete one acquisition.	During the six months ended June 30, 2016, the Company awarded and trained two new franchise locations (St. Louis and Orlando).	**Redishred awarded a third new franchise in late June (Jacksonville) and is actively pursuing other franchise and acquisition opportunities.**
Achieve $2.8M CAD in EBITDA from operations.	Redishred earned $1.370 CAD in EBITDA from operations during the six months ended June 30, 2016. • Corporate shredding sales grew by 28% (in $US) • Recycling sales declined by 3% (in $US) • Royalties grew by 13% (in $US)	**Redishred is on track to achieve its annual goal.**

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, 2016 and 2015.

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	% change	**2016**	2015	% change
	$	$		**$**	$	
System sales (USD)	**7,579,784**	6,391,020	19%	**14,445,903**	12,140,266	19%
Total Revenue	**2,475,518**	1,824,583	36%	**4,823,670**	3,597,534	34%
Corporate location data:						
Corporate location revenue	**1,842,693**	1,443,384	28%	**3,734,717**	2,817,445	33%
Corporate location operating costs	**(1,154,551)**	(764,529)	(51)%	**(2,350,061)**	(1,563,056)	(50)%
Corporate location EBITDA	**688,142**	678,855	1%	**1,384,656**	1,254,389	10%
Depreciation – equipment	**(138,883)**	(119,418)	(16)%	**(283,040)**	(240,196)	(18)%
Operating income from corporate locations	**549,259**	559,437	(2)%	**1,101,616**	1,014,193	9%
Franchise and license data:						
Franchise and license fees	**175,006**	2,210	7800%	**177,642**	29,109	510%
Royalties and service fees	**457,819**	378,989	21%	**911,311**	750,980	21%
Franchise and license revenue	**632,825**	381,199	66%	**1,088,953**	780,089	40%
Total operating costs	**(567,611)**	(453,747)	(25)%	**(1,103,649)**	(859,026)	(28)%
Operating income	**614,473**	486,889	26%	**1,086,920**	935,256	16%
Net income	**188,267**	35,710	427%	**115,685**	641,550	(82)%
Income per share	**0.01**	0.00		**0.00**	0.02	

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

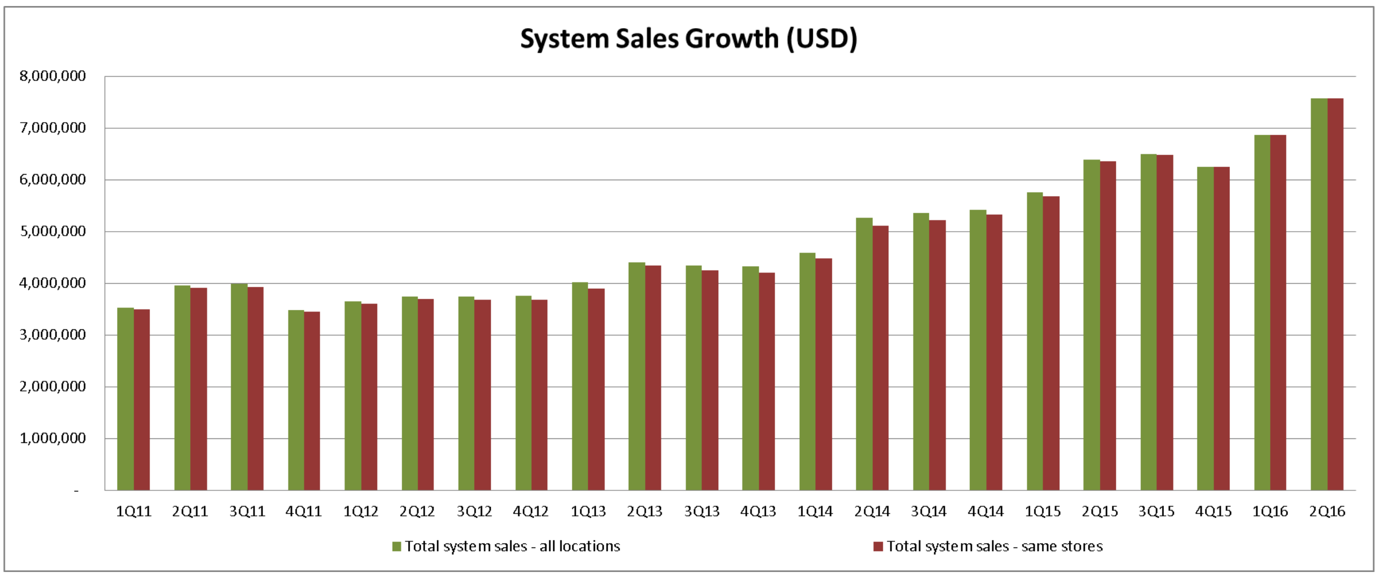
The Company operates the Proshred system, and derives revenues from franchise and other fees as well as royalty and service related fees. In addition to operating the Proshred franchise system, the Company operates six corporate locations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami.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

System Sales

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

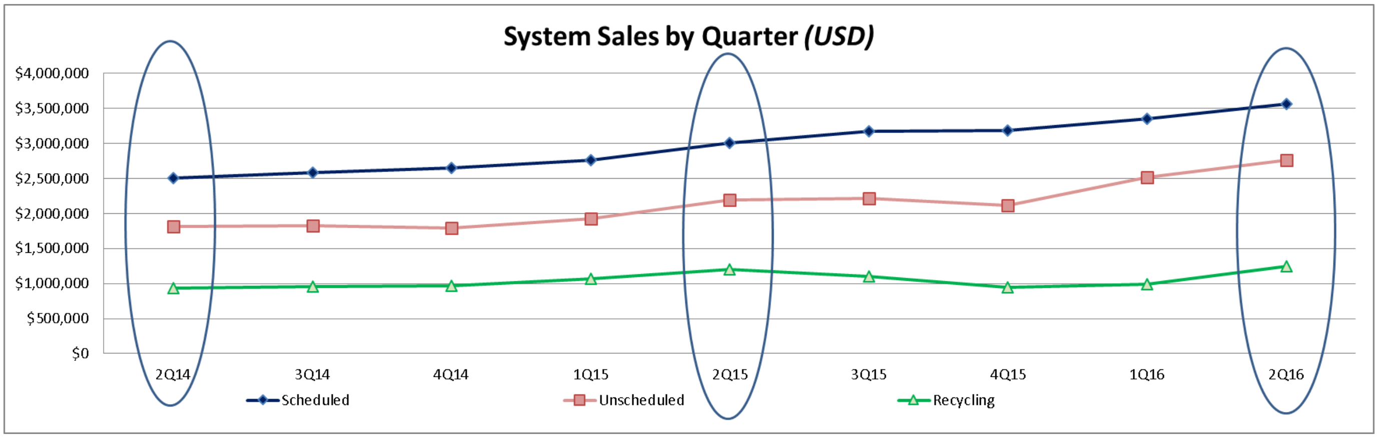
	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
Total operating locations at period end; US and International	**35**	34	3%	**35**	34	3%
Operating territories – (US only)	**120.1**	117.4	2%	**120.1**	117.4	2%
Total system sales (USD)	**$ 7,579,784**	$ 6,391,020	19%	**$ 14,445,903**	$ 12,140,266	19%
Total system sales (CDN)	**$ 9,789,919**	$ 7,859,038	25%	**$ 19,213,050**	$ 14,981,089	28%

The following chart illustrates system sales growth in USD by quarter since the 1nd quarter of 2011.



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$6,332,445 for the second quarter of 2016, growing by US$1,139,675 or 22% over the second quarter of 2015. For the six months ended June 30, 2016, service related system sales grew from US$9,874,252 to US$12,207,842, a 24% increase over the comparative 2015 period.

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 2016 versus the same period in 2015. For the three months ended June 30, 2016, scheduled sales reached a record quarterly high of US$3,566,304.

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Scheduled service sales (USD)	**3,566,304**	3,001,658	19%	**6,921,043**	5,760,057	20%
Same store scheduled service sales (USD)	**3,565,838**	3,001,658	19%	**6,920,577**	5,760,057	20%

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. For the three months ended June 30, 2016, unscheduled sales reached a record high of US$2,766,141, growing 26% over the same period in 2015.

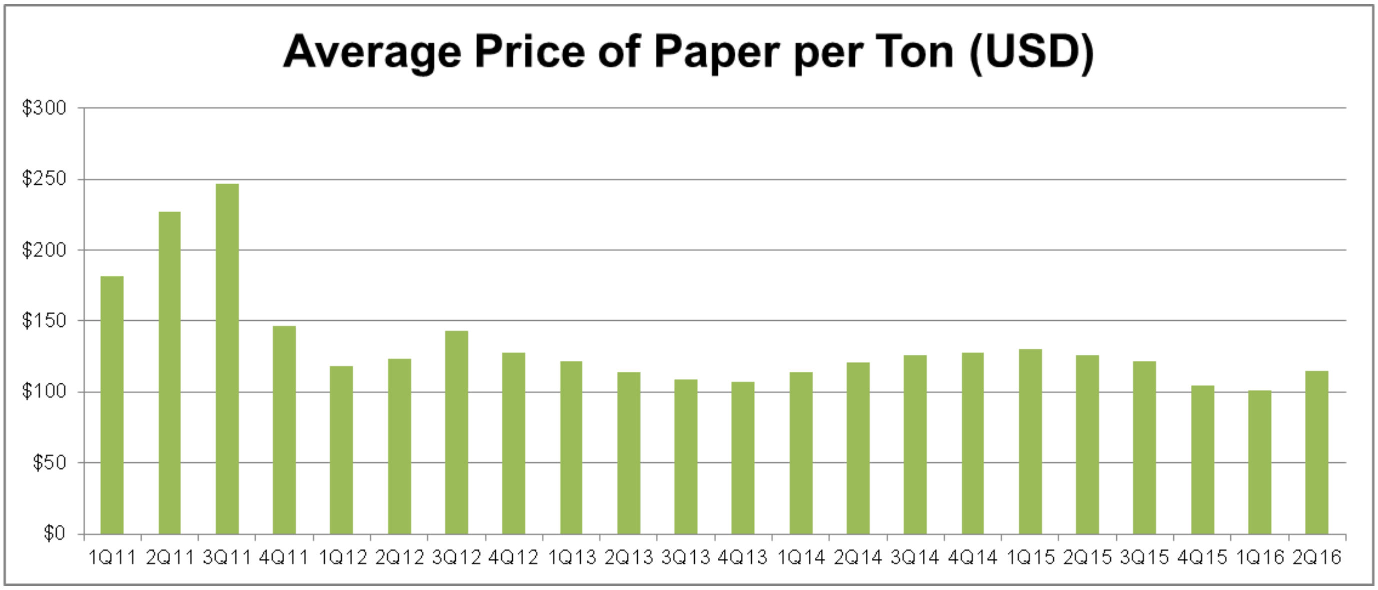
	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	% Ch
	$	$		**$**	$	
Unscheduled service sales (USD)	**2,766,141**	2,191,112	26%	**5,286,799**	4,114,195	29%
Same store unscheduled service sales (USD)	**2,743,150**	2,191,112	25%	**5,263,808**	4,114,195	28%

Recycling sales:

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

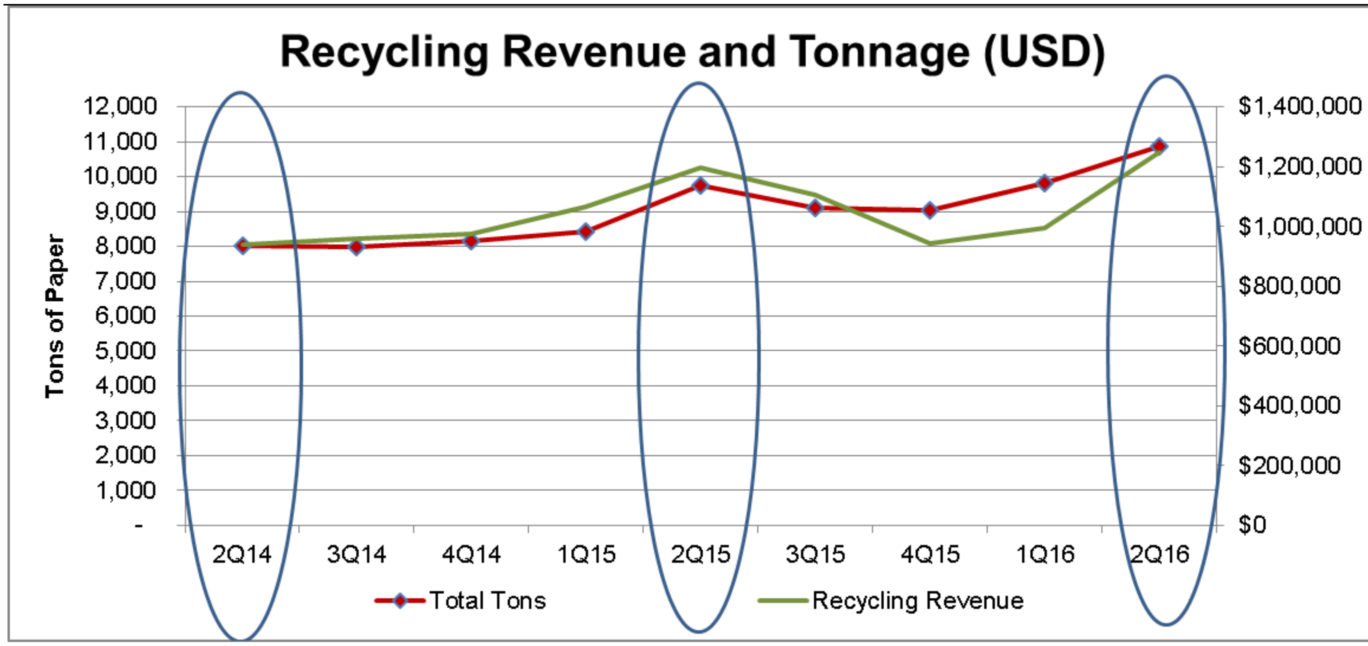
Historical Pricing Trends:

During the second quarter of 2016, the average price of paper in the Proshred system was US$114 per ton, versus US$126 per ton in the second quarter of 2015, a decrease of 10%. Paper pricing has remained in a tight band between $100 per ton and $130 per ton over the last 10 quarters due to declining commodity prices and currently reduced consumer demand in China which is a key export market for our recycled materials.

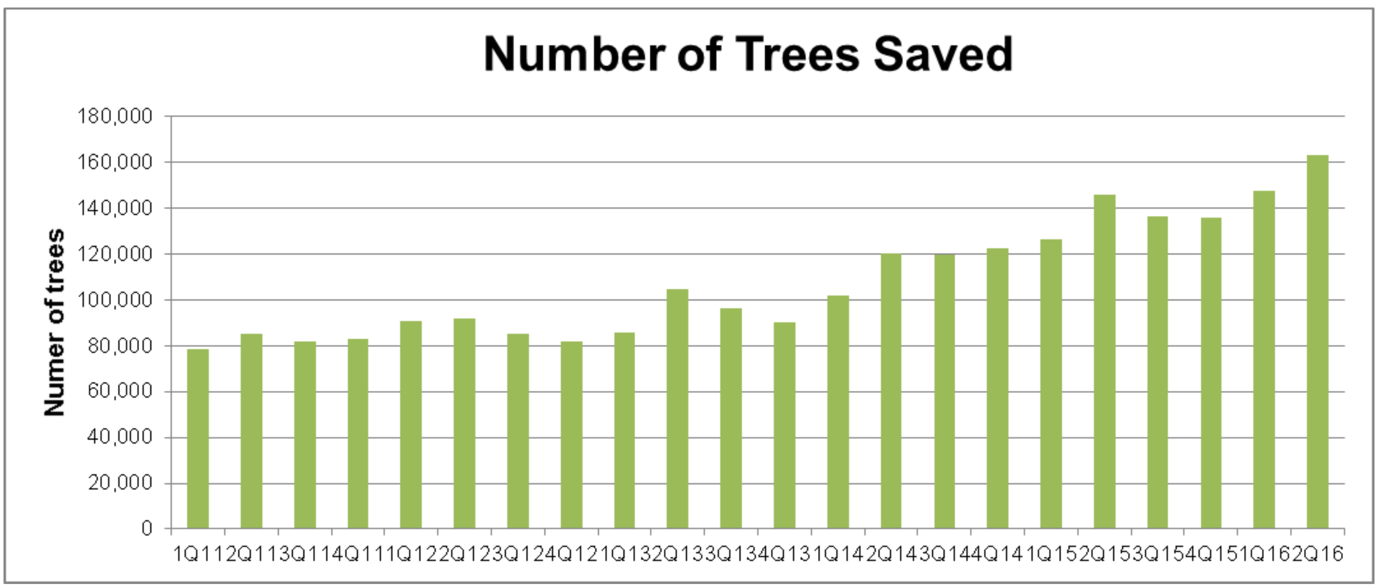


The Proshred system shred and recycled 10,850 tons of paper during the second quarter of 2016 (second quarter of 2015 – 9,700), which equates to 163,000 trees being saved (second quarter of 2015 – 146,000).[1]

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Recycling sales (USD)	**1,247,339**	1,198,250	4%	**2,238,061**	2,266,014	(1)%
Same store recycling sales (USD)	**1,244,873**	1,198,250	4%	**2,235,595**	2,266,014	(1)%



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

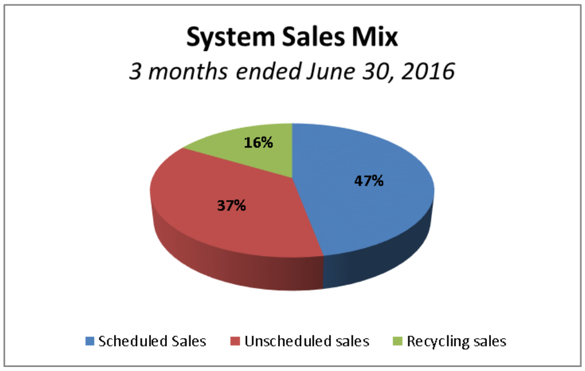


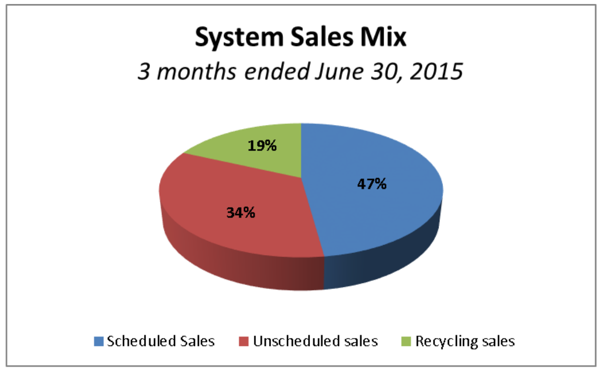
(2) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

Mix of business:

Quarter ended June 30, 2016;

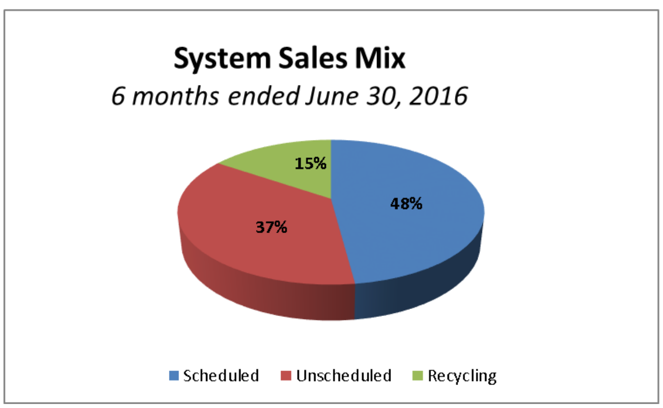
Scheduled sales account for 47% of total sales (June 30, 2015 – 47%). Unscheduled sales account for 37% of total sales (June 30, 2015 – 34%). Recycling sales account for 16% of total sales (June 30, 2015 – 19%).

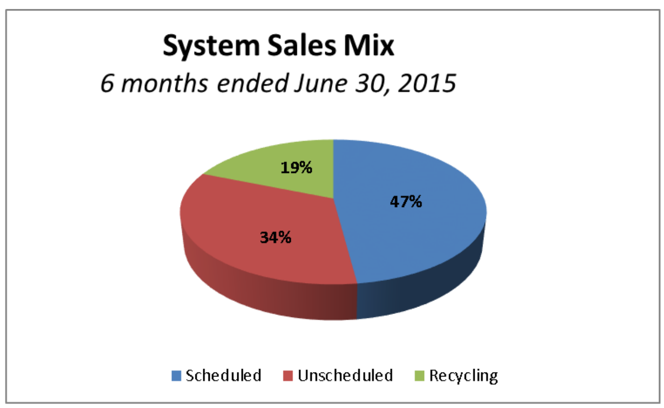




First half ended June 30, 2016:

Scheduled sales accounted for 48% of total sales (June 30, 2015 – 47%). Unscheduled sales accounted for 37% of total sales (June 30, 2015 – 34%). Recycling sales accounted for 15% of total sales (June 30, 2015 – 19%).





Franchising & Licensing

Total Revenue

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	% Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Franchise and license fees	**175,006**	2,210	7,800%	**177,642**	29,109	510%
Royalty and service fees	**457,819**	378,989	21%	**911,311**	750,980	21%
Total revenue	**632,825**	381,199	66%	**1,088,953**	780,089	40%

Royalties and service fees are charged for the use of the Proshred brand, trademarks and systems. Franchise and license fee revenue is generated when a franchise or license is awarded and training is completed. Royalty and service fees earned during the three and six months ended June 30, 2016 were higher by 21% versus 2015 due to increased system sales (refer to 'System Sales'). Franchise and license fees include the license fees earned from the Middle East licensee.

The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. For the six months ended June 30, 2016, total franchising and licensing revenue was US$818,761 (2015 – US$631,482). . For the three months ended June 30, 2016, total franchising and licensing revenue was US$496,403 (2015 – US$309,357).

Selling, General and Administrative Expenses

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Salaries	**262,464**	230,335	14%	**497,887**	412,980	21%
General, administrative and marketing	**265,686**	223,412	19%	**566,301**	446,046	27%
Broker fees	**39,461**	-	100%	**39,461**	-	100%
Total operating expenses	**567,611**	453,747	25%	**1,103,649**	859,026	28%

Operating expenses for the three and six months ended June 30, 2016 include expenses to support 35 Proshred locations in operations, 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. During the first half of 2016, selling, general and administrative expenses increased as a result of increased headcount, consulting and broker's fees and outsourced technology costs. The Company continues to closely monitor and control all operating expenses.

Amortization – Franchising

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

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Amortization – intangible assets	**147,313**	144,474	2%	**299,962**	291,731	3%

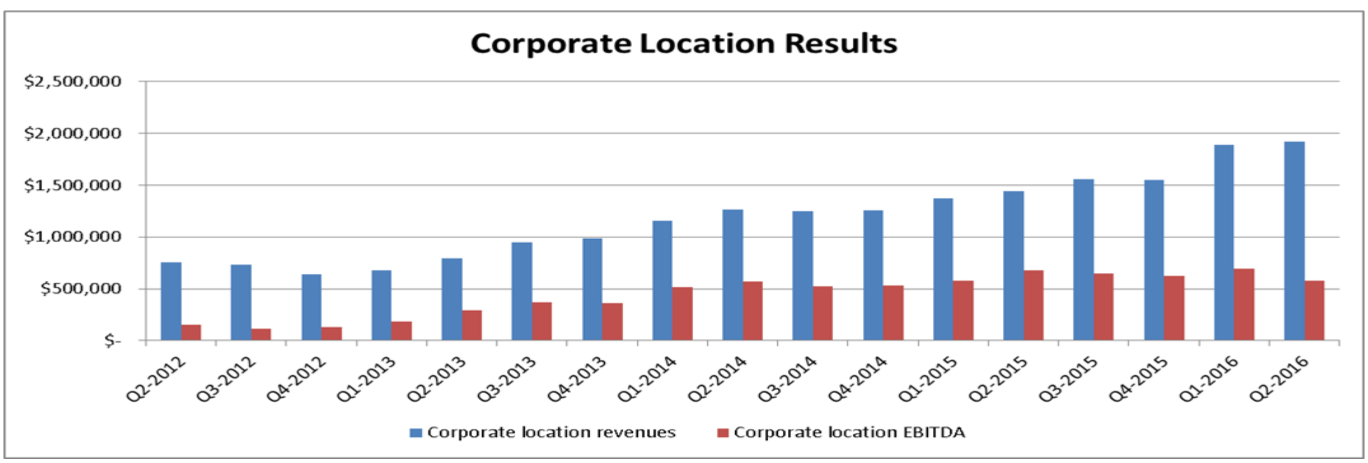
Corporate Operations

The Company owns and operates six shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami. During the six months ended June 30, 2016, the corporate location revenues grew by 33% over the same comparative prior year period. The Company also increased EBITDA by 10% and operating income by 9% over the six months ended June 30, 2015.

	3 months ended June 30				*6 months ended June 30*			
	2016	% of revenue	2015	% of revenue	**2016**	% of revenue	2015	% of revenue
	$		$		$		$	
Revenue:(1)								
Shredding service	**1,588,125**	86%	1,198,858	83%	**3,230,640**	87%	2,335,531	83%
Recycling	**254,568**	14%	244,526	17%	**504,077**	13%	481,914	17%
Total revenue	**1,842,693**	100%	1,443,384	100%	**3,734,717**	100%	2,817,445	100%
Operating costs	**1,154,551**	63%	764,529	53%	**2,350,061**	63%	1,563,056	55%
EBITDA	**688,142**	37%	678,855	47%	**1,384,656**	37%	1,254,389	45%
Depreciation - equipment	**138,883**	7%	119,418	8%	**283,040**	8%	240,196	9%
Corporate operating income (2)	**549,259**	30%	559,437	39%	**1,101,616**	29%	1,014,193	36%

Operating costs have increased at a higher rate than sales growth as the Company has, in 2016, concluded an acquisition, invested in its local human resource retention program in order to attract and retain strong local managers and client facing team members with a view to ensuring sustainable profitability and cash flow going forward. The Company also invested increased funds into (1) on-line marketing activities to attract new clients and (2) truck repairs and maintenance to ensure optimal truck uptime to service clients, both of these activities should yield enhanced cash flows in the last half of 2016.

Corporate location revenues and operating costs are generated in US dollars, which are translated at the average exchange rate for the period. For the three months ended June 30, 2016, corporate location revenues, denominated in US dollars were US$1,385,484 (three months ended June 30, 2015 - US$1,169,678). For the six months ended June 30, 2016, corporate location revenues, denominated in US dollars were US$2,808,058 (six months ended June 30, 2015 – US$2,283,180).



Note (1): The Company acquired the assets of Recordshred Inc. on December 31, 2015.
Note (2): Corporate operating income does not include an allocation of corporate overhead.

Depreciation and Amortization

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

During the six months ended June 30, 2016, the Company purchased a shredding vehicle, computers, furniture, shredding containers, a delivery vehicle and upgraded shredding equipment.

Depreciation and amortization are as follows:

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Depreciation and amortization – equipment	**138,883**	119,418	16%	**283,040**	240,196	18%
Depreciation and amortization – intangibles	**76,595**	78,024	(2)%	**158,032**	156,579	1%
Depreciation and amortization	**215,478**	197,442	9%	**441,072**	396,775	11%

Operating income

During first half of 2016 the Company grew its corporate store sales and franchise and license revenue and increased its total operating and depreciation expense resulting in a 16% increase in operating Income compared to 2015.

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Operating income	**614,473**	486,889	26%	**1,086,920**	935,256	16%

Foreign exchange

All of Redishred's revenues are denominated in US dollars; this dependency on US dollar revenues causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar or when the Company incurs significant US dollar costs. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses. The period end exchange rate between the US and CDN dollars was 1.29 CDN$ = 1.0 US$ at June 30, 2016 (June 30, 2015 1.249 CDN$ = 1.0 US$ and at December 31, 2015 1.384 CDN$ = 1.0 US$).

Foreign exchange gain (loss) was as follows:

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Realized foreign exchange (loss) gain	**(79,021)**	(94,091)	16%	**(79,696)**	(133,317)	85%
Unrealized foreign exchange (loss) gain	**50,471**	25,960	94%	**(93,111)**	626,850	(115)%
Foreign exchange (loss) gain	**(28,550)**	(68,131)	58%	**(172,807)**	493,533	(135)%

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 6.393% to 8.0% per annum and interest on the convertible debentures at 7.5%.

Interest expense also relates to the loan agreements for the purchase of the Proshred Charlotte franchise. The loans bear interest at 7.5% to 9% per annum. Interest expense decreased in the first half of 2016 in comparison to the prior comparative period as a result of the line of credit principal repayment made in November of 2015 and loan prepayments made in the first six months of 2016.

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$		**$**	$	
Interest income	**2,044**	1,968	4%	**4,600**	4,250	8%
Interest expense	**(172,490)**	(179,860)	(4)%	**(347,086)**	(368,729)	(6)%

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, 2016, the Company booked a tax recovery of $37,187. 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. This tax recovery was offset by withholding taxes and current taxes of $35,135 paid by PFC.

At December 31, 2015 the Company has incurred non-capital losses of $6,900,000 in Canada and $1,260,000 in the U.S. that can be carried forward to reduce income taxes payable. The losses expire at various times through December 31, 2034.

Reconciliation of operating income to net income

	3 months ended June 30			*6 months ended June 30*		
	2016	2015	%Ch	**2016**	2015	%Ch
	$	$				
Operating income	**614,473**	486,889	26%	**1,086,920**	935,256	16%
Less: amortization - intangible assets	**(223,908)**	(222,498)	0%	**(457,994)**	(448,310)	(2)%
Less: interest expense	**(172,490)**	(179,860)	8%	**(347,086)**	(368,729)	6%
Add: interest income	**2,044**	1,968	(23)%	**4,600**	4,250	8%
Income before foreign exchange and other items:	**220,119**	86,499	154%	**286,440**	122,467	134%
Foreign exchange (loss) gain	**(28,550)**	(68,131)	192%	**(172,807)**	493,533	(117)%
Gain (loss) on sale of assets	**-**	(11)	100%	**-**	3,085	100%
Income tax (expense) recovery	**(3,302)**	17,353	(119)%	**2,052**	22,465	(91)%
Net income	**188,267**	35,710	682%	**115,685**	641,550	(68)%

Net income

For the six months ended June 30, 2016, the improvement in net income was $140,475 after removing the foreign exchange effect. The improvement was a result of (1) the improvement in operating income produced by the corporate locations and (2) the increased royalties and franchise fees generated from the franchise system.

Selected Quarterly Results

	2016		2015				2014	
(in CDN except where noted)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
System sales (USD)	**7,579,784**	**6,865,531**	**6,246,162**	**6,497,246**	**6,391,020**	**5,749,246**	**5,420,366**	**5,362,658**
Total Company revenue	**2,475,518**	**2,348,152**	**2,105,982**	**1,974,509**	**1,824,583**	**1,772,950**	**1,570,967**	**1,568,892**
Franchise and license fees	175,006	2,636	122,533	4,120	2,210	26,896	1,484	32,569
Royalty and service fees	457,819	453,492	434,070	415,832	378,989	371,992	312,171	288,974
Total revenue from franchising and licensing	**632,825**	**456,128**	**556,603**	**419,952**	**381,199**	**398,888**	**313,655**	**321,543**
On-going operating costs	(528,150)	(536,038)	(688,820)	(417,321)	(453,747)	(405,279)	(453,871)	(396,512)
Broker fees	(39,461)	-	(42,572)		-	-	(334)	-
Impairment of note receivable	-	-	-	-	-	-	(432)	(44,577)
Total operating expenses	(567,611)	(536,038)	(731,392)	(417,321)	(453,747)	(405,279)	(454,637)	(441,089)
Franchising and licensing EBITDA	**65,214**	**(79,910)**	**(174,789)**	**2,631**	**(72,548)**	**(6,391)**	**(140,982)**	**(119,546)**
Corporate locations revenue	1,842,693	1,892,024	1,549,379	1,554,557	1,443,384	1,374,062	1,257,312	1,247,349
Corporate locations operating costs	(1,154,551)	(1,195,510)	(922,668)	(908,449)	(764,529)	(798,527)	(723,584)	(719,481)
Corporate locations EBITDA	**688,142**	**696,514**	**626,711**	**646,108**	**678,855**	**575,535**	**533,728**	**527,868**
Depreciation – equipment	(138,883)	(144,157)	(137,570)	(120,789)	(119,418)	(120,778)	(109,688)	(119,093)
Total operating income – corporate	**549,259**	**552,357**	**489,141**	**525,319**	**559,437**	**454,757**	**424,040**	**408,775**
Consolidated EBITDA	**753,356**	**616,604**	**451,922**	**648,739**	**603,307**	**569,144**	**392,746**	**408,322**
Total operating income – excluding one-time costs – Company	**614,473**	**472,447**	**314,352**	**527,950**	**486,889**	**448,366**	**283,058**	**289,229**
Income (loss) before taxes from continuing operations	282,607	(77,936)	206,141	347,399	18,358	600,727	102,305	49,438
Income (loss) attributable to owners of the parent	279,305	(72,582)	(112,571)	363,260	35,710	605,838	109,433	62,791
Basic and diluted net income (loss) per share	.01	(.00)	.00	.01	.00	.02	.00	.00

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

Selected Quarterly Results (continued)

Scheduled and unscheduled system sales 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.

Balance Sheet

	June 30, 2016	December 31, 2015
	$	$
Working capital	**381,178**	21,721
Total assets	**9,727,349**	10,713,530
Total liabilities	**9,407,522**	10,183,518

The total assets of the Company have increased over the year ended December 31, 2015 as a result of the appreciation of the Canadian dollar, as a significant portion of the assets are denominated in USD. The total liabilities of the Company have decreased over the prior year as a result of the decrease in accounts payable and accrued liabilities. The Company also made a repayment of principal on the line of credit during the first quarter of 2016 which was offset by the depreciation of the Canadian dollar.

The Company did not declare any dividends during the year.

Financial Condition, Capital Resources and Liquidity

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

Line of Credit

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

The interest remains at 10% per annum, paid semi-annually and the facility remains at $6.03 million. The Company has $958,516 available for use on its line as of June 30, 2016.

Financial Strategy

The Company continues to maintain a cost control strategy and has concurrently implemented a strong sales focused approach and has dedicated sales leads in each corporate location with an aim to grow revenues and cash flows. As a result, the Company's corporate locations have been accretive to the cash flow of the business. The Company also continues its' efforts to award new franchise locations, which generate between $35,000 and $100,000 in franchise fees per new franchise as well as adds recurring royalty revenues.

At June 30, 2016, current assets of $2,060,872 (December 31, 2015 - $2,162,105) and current liabilities of $1,679,694 (December 31, 2015 - $2,140,384) that 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	**247,101**
Between 1 and 5 years	**179,191**
Total	**426,292**

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

Capital Assets

As at,	**June 30, 2016**	December 31, 2015	% Ch
	$	$	
Net book value	**3,044,327**	3,155,192	(4)%

During the first half of 2016, capital assets (not including intangible assets) decreased as a result of the appreciation of the Canadian dollar, as a significant portion of the assets are denominated in USD.

During the six months ended June 30, 2016, the Company purchased a shredding vehicle, computers, furniture, shredding containers, a delivery vehicle and upgraded shredding equipment.

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, 2016, is $2,354 (December 31, 2015 - $2,598) due from this franchise. During the six months ended June 30, 2016, the Company earned royalty and service fees amounting to $62,232 (2015 - $53,031) from this franchise. In June 2016, this Director was awarded the Orlando, Florida franchise for a purchase price of US $50,000. The Company financed 50% of the purchase price. Included in notes receivable from franchisees is a US $25,000 three year note receivable at an interest rate of 5% per annum.

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

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

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013, the Company entered into the following loan agreements with related parties:

(a) A 5 year loan and security agreement in the amount of CAD$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2016 is CAD$525,750;

(b) A 5 year loan and security agreement in the amount of US$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2016 is CAD$96,750 (US$75,000);

(c) A 4 year loan and security agreement in the amount of CAD$100,000 with monthly blended payments of principal and interest of CAD$2,488 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2016 is CAD$32,955;

(d) A 4 year loan and security agreement in the amount of US$50,000 with monthly blended payments of principal and interest of US$1,244 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2016 is CAD$21,256 (US$16,478); and

(e) A 4 year loan and security agreement in the amount of US$300,000, repayable with monthly blended payments of principal and interest of US$7,283 maturing July 22, 2019. The loan bears interest at 7.5% per annum and is secured by three shredding vehicles with a carrying value of CAD$344,269 at June 30, 2016. The value of the loan on June 30, 2016 is CAD$308,978 (US$239,518

Risks and Uncertainties

Please refer to the Redishred 2015 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, 2015, 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 2015 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, 2016, there were 28,884,658 issued and outstanding common shares. As at June 30, 2016 there were 1,855,000 options to acquire common shares. During the six months ended June 30, 2016, no stock options expired (for the six months ended June 30, 2015 – 140,000). There were 25,000 stock options granted during the six months ended June 30, 2016 (for, the six months ended June 30, 2015 – 700,000). The net stock compensation charge, after adjusting for stock option forfeitures, amounted to $3,936 (for the six months ended June 30, 2015 – $51,093). As of August 29, 2016 there are 28,884,658 issued and outstanding common shares, 1,855,000 options to acquire common shares. There are 1,250,000 common shares issuable on conversion of the debentures.

Dated: August 29, 2016