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Basis for Presentation

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 statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the all pertinent information, this MD&A should be read in conjunction with material contained in the Company's unaudited consolidated interim financial statements for the three months ended March 31, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). With the adoption of IFRS 15 for the year ended December 31, 2018, the Company has restated the comparative information in accordance with this standard. The Company also adopted IFRS 16 – Leases effective January 1, 2019 using the modified retrospective approach with practical expedients, which do not require the restatement of prior period financial information. The Company's presentation currency is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which it operates. Additional information on Redishred, including these documents and the Company's 2018 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 29, 2019.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In particular, certain statements, analysis and commentary in this document reflect Redishred's anticipated outlook of future events. These statements 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, 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. number and size of acquisitions,
 - f. the ability to realize efficiencies from acquired operations,
 - g. the exchange rate fluctuations between the US and Canadian dollar,
 - h. 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 achieve 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; and
- (viii) the ability to continue to meet the Company's financial covenants it has with its banking institution.

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 Financial 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.

- **Total 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.
- **Shredding system sales** are revenues generated from customers with regular recurring service referred to as scheduled sales and revenues generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding sales do not include recycling sales.
- **Same location (store) results** for system sales, 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 2019 and 2018.
- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead.
- **Consolidated Operating Income** is defined as revenues less all operating expenses, depreciation related to the tangible assets. Amortization for intangible assets has not been included in this calculation.
- **Consolidated Operating Income less Net Interest Expense** is defined as consolidated operating income including interest income and expense.
- **Corporate Location EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead generated by corporately operated locations.
- **Corporate Location Operating Income** is the income generated by corporately operated locations. The operating income generated is inclusive of depreciation on tangible assets, including trucks, right of use assets and secure collection containers. It does not include amortization related to intangibles assets, allocations for corporate overhead or interest expense.

Business Overview

Redishred Capital Corp. was founded in 2006 with the purpose to acquire and grow a business platform in the information destruction and security industry. In 2008, Redishred acquired Professional Shredding Corporation and its primary assets which included the Proshred system and brand, including 16 franchised locations.

The Company is headquartered in Mississauga, Ontario, Canada and operates the Proshred franchise and licence 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. In Q1-2019, the Proshred system achieved \$11.2 million USD in System Sales (\$7.8 million USD through franchised/licensed locations and \$3.4 million USD through the corporately owned operations).

Key Performance Indicators (“KPIs”)

Management measures Redishred's performance based on the following KPIs:

1. System sales growth – management expects to achieve increases in system sales, which drive the Company's royalties and corporate location revenues.
2. EBITDA growth and margin – management uses this performance measure to assess both the Company's performance and the corporate locations' performance. Management is focused on growing the consolidated Company EBITDA and the corporate locations' EBITDA.
3. Consolidated Operating Income increases – this measure considers Redishred's ability to increase its operating income from operations and includes depreciation on tangible assets, including trucks and right of use assets.
4. Corporate location operating income growth – management's expectation is to grow operating income generated by the corporate locations as it drives the Company's cash flow.
5. Fixed Charge Coverage Ratio – a common measure of credit risk used by our lenders, this measure considers Redishred's ability to pay both interest and principal on outstanding debt. Management is focused on increasing this ratio, as generally, the higher the fixed charge coverage ratio, the lower the credit risk.
6. Total Funded Debt to EBITDA Ratio – this measures Redishred's leverage and its ability to pay all outstanding debt and assesses the Company's financial health and liquidity position. Management's goal is to continue to reduce this ratio which is an indicator that the Company has sufficient funds to meet its financial obligations.

Adoption of IFRS 16

During the Q1-2019, the Company adopted the new accounting standard IFRS 16 – Leases, effective January 1, 2019. IFRS 16 eliminates the classification of an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. As a result, the Company recognized an increase to both assets and liabilities on its Consolidated Statements of Finance Position. From an income statement perspective, the lease rental expense under the old leading standard has now been replaced with a charge to depreciation and amortization and interest expense.

The Company adopted IFRS 16 using the modified retrospective approach using practical expedients, as permitted, which do not require the restatement of prior period financial information.

For leases that were classified as operating leases under IAS 17, lease liabilities and right-of-use assets have been recognized. The right-of-use assets have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid rent related to that lease. The lease liabilities have been measured at the present value of the remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019.

Financial and Operational Highlights

The following table outlines Redishred's key IFRS and non-IFRS measures:

(in 000's except as noted)

For the three months ended March 31,	2019	2018	% change
System Sales Performance – in USD			
Total locations in the United States	30	29	3%
System sales	\$11,226	\$9,005	25%
<i>Percentage scheduled</i>	47%	49%	
System sales – same location	\$10,474	\$9,005	16%
<i>Percentage scheduled</i>	47%	49%	
For the three months ended March 31,	2019	2018 (restated)	% change
Consolidated Operating Performance – in CAD			
Revenue	\$5,203	\$3,154	65%
EBITDA	\$1,620	\$799	103%
<i>As a percentage of revenue</i>	31%	25%	
Operating Income	\$1,032	\$551	87%
<i>As a percentage of revenue</i>	20%	17%	
Operating Income per weighted average share fully diluted	\$0.015	\$0.011	38%
For the three months ended March 31,	2019	2018	% change
Corporate Location Performance – in CAD			
Revenue	\$4,507	\$2,506	80%
EBITDA	\$1,723	\$1,022	69%
<i>As a percentage of revenue</i>	38%	41%	
Operating income	\$1,212	\$780	55%
<i>As a percentage of revenue</i>	27%	31%	
As at March and December 31,	2019	2018	% change
Capital Management – in CAD			
Working capital	\$(2,383)	\$7,288	(133)%
Debt to total assets ratio	0.35	0.29	22%
Normalized Fixed Charge Coverage ratio – rolling 12 months	2.39	1.94	23%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	1.88	1.69	11%

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

Summary of Results and Operations

Stronger System Sales driving both Royalty and Corporate Location Revenue

System sales increased due to the Company's continued focus on providing recurring scheduled service to small and medium sized enterprise clients. In addition, the Company continued to invest in marketing initiatives designed to capture one-time unscheduled revenue.

During Q1-2019 Redishred's System Sales growth over Q1-2018 was as follows:

Total System Sales increased by 25% (Same Location 16%)	
<u><i>By Service Type:</i></u>	<u><i>By Location Type:</i></u>
Scheduled (recurring) increased by 19% (Same Location 12%)	Franchise location system sales increased by 18% (Same Location 18%)
Unscheduled increased by 21% (Same Location 11%)	Corporate location system sales increased by 80% (Same Location 10%)
Recycling increased by 47% (Same Location 38%)	

Corporate Location EBITDA

During Q1-2019, EBITDA growth over Q1-2018, after adjusting for the IFRS 16 accounting standard change was as follows:

Total locations:

EBITDA in USD increased by 40%

Same locations:

EBITDA in USD decreased by 7%

EBITDA margins for both total and same locations was 35% for Q1-2019 in comparison to 41% for Q1-2018.

The decline in same location EBITDA was due to the following:

- (1) driver shortages causing upward pressure on driver wages and overtime;
- (2) The Company's revenue mix has shifted towards higher recurring revenue while our unscheduled revenue declined moderately;
- (3) investment in additional sales human resources with a view to driving increased recurring scheduled revenue;
- (4) investment in stronger management in our major locations; and
- (5) increased repair costs and truck downtime.

The Company invested in two new shredding vehicles during Q1-2019 with a view to reducing truck downtime and repair costs.

Consolidated EBITDA and Operating Income

During Q1-2019, the Company's consolidated EBITDA and operating income grew 82% and 85% respectively, over Q1-2018, after adjusting for the IFRS 16 accounting standard change. The significant growth was due to the Kansas acquisitions conducted on January 31, 2019 and the three acquisitions conducted in 2018. The acquisitions led to improved consolidated margins as corporate overhead costs did not increase.

In Q1-2019, the Canadian dollar depreciated over the US dollar relative to Q1-2018 which resulted in a 5% increase in the average exchange rate used year over year. This depreciation in the Canadian dollar also contributed 8% to the growth in the proforma consolidated EBITDA.

**REDISHRED CAPITAL CORP.
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In \$000's	2019 As reported	IFRS 16 adjustments	Proforma excluding IFRS 16 adjustments	2018 As reported	% change
Consolidated Operating Performance – in CAD					
Revenue	\$5,203	-	\$5,203	\$3,154	65%
EBITDA	\$1,620	\$(162)	\$1,458	\$799	82%
<i>As a percentage of revenue</i>	31%		28%	25%	
Operating Income ⁽²⁾	\$1,032	\$(10)	\$1,022	\$551	85%
<i>As a percentage of revenue</i>	20%		20%	17%	

Company Strategy

The Company's strategy is to:

1. Expand the location footprint in North America by way of both franchising and accretive acquisitions.
2. Maximize same location revenue (in particular scheduled and recurring revenue) and earnings for franchisees and corporate locations.
3. Drive depth of service and earnings in existing locations by way of conducting smaller accretive acquisitions.

Expanding the Location Footprint

The Company has a dual pronged approach to footprint growth:

- (a) Utilizing a franchise model. This model provides Redishred with royalty and other fee income in exchange for an exclusive service and marketing area. The Company has and continues to provide various support programs to its franchisees to drive both their revenue and earnings.
- (b) Utilizing an acquisition model. The Company has a program in place to acquire independent shredding operations in adjacent and available markets. During the three months ended March 31, 2019, the Company acquired the assets of the Proshred Kansas City franchise and Secure E-Cycle for a total purchase price of \$11M CAD (\$7.9M USD), including contingent consideration.

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The Company's North American locations are as follows:

Number	Franchised Location	Markets Served	Operating Since
1.	Springfield, MA	Western Massachusetts including western Boston suburbs	June 2003
2.	Tampa Bay, FL	Tampa Bay, Clearwater, St. Petersburg, Sarasota, Lakeland and Orlando	March 2004
3.	Denver, CO	Greater Denver area	August 2004
4.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006
5.	New Haven, CT	State of Connecticut	April 2007
6.	Chicago, IL	Greater Chicagoland area	April 2007
7.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
8.	Baltimore, MD	Baltimore and Washington, DC	November 2007
9.	Orange County, CA	Orange County	September 2009
10.	San Diego, CA	San Diego	October 2010
11.	Indianapolis, IN	Greater Indianapolis area	June 2011
12.	Atlanta, GA	Greater Atlanta area	January 2012
13.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
14.	Dallas, TX	Dallas and Fort Worth	March 2012
15.	Houston, TX	Greater Houston area	November 2012
16.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013
17.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
18.	Seattle, WA	Seattle and Tacoma	October 2013
19.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
20.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
21.	St. Louis, MO	Greater St. Louis area	August 2016

**REDISHRED CAPITAL CORP.
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Number	Corporate Location	Markets Served	Operating Since ⁽¹⁾	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004	May 2010
		Buffalo and Rochester	October 2017	October 2017
		Watertown	April 2018	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003	July 1 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Bergen County, NJ, Staten Island and Long Island	January 2008	January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003	January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008	January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006	July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008	April 2017
8.	North New Jersey, NJ	All counties north of Middlesex county	June 2005 (operated as Safe Shredding)	October 1, 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006	February 2019

Maximize Same Location Revenue and Earnings

Management will focus on three key areas to drive same location revenue and earnings:

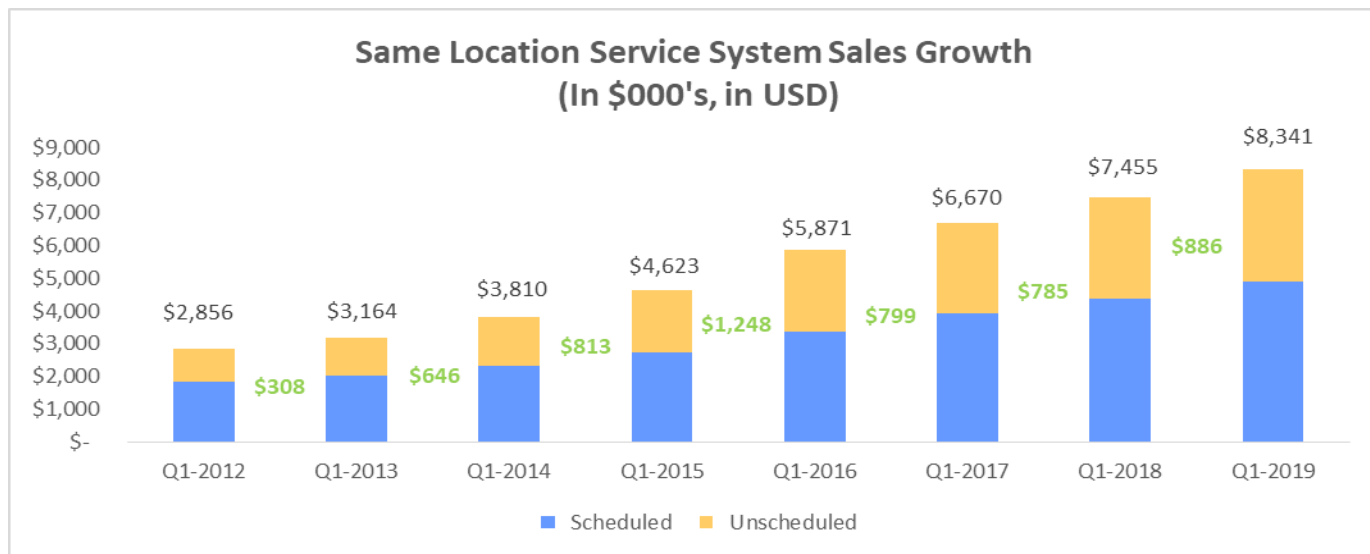
- (1) maximizing recurring revenue and earnings for franchisees and corporate locations on existing routes with a goal to achieving a shredding revenue mix of 70% recurring;
- (2) enhancing inbound and outbound marketing and sales processes and;
- (3) minimize operating and administrative costs.

Redishred and its franchisees continue to invest in trucks, marketing and sales initiatives as well as human resources to maximize the outcome in our three core areas of performance. Over the last 6 years, Redishred has seen an average increase of 18% in system revenue (excluding recycling revenue), and an average increase of 22% in same location corporate store EBITDA. This has led to continued growth in consolidated cash flows from operations.

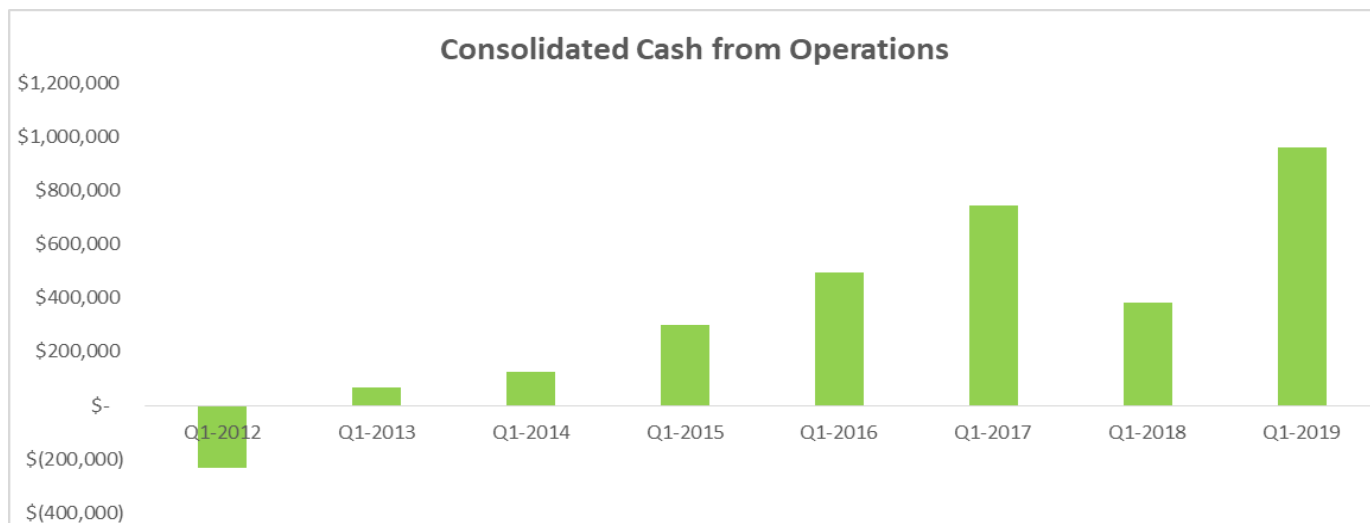
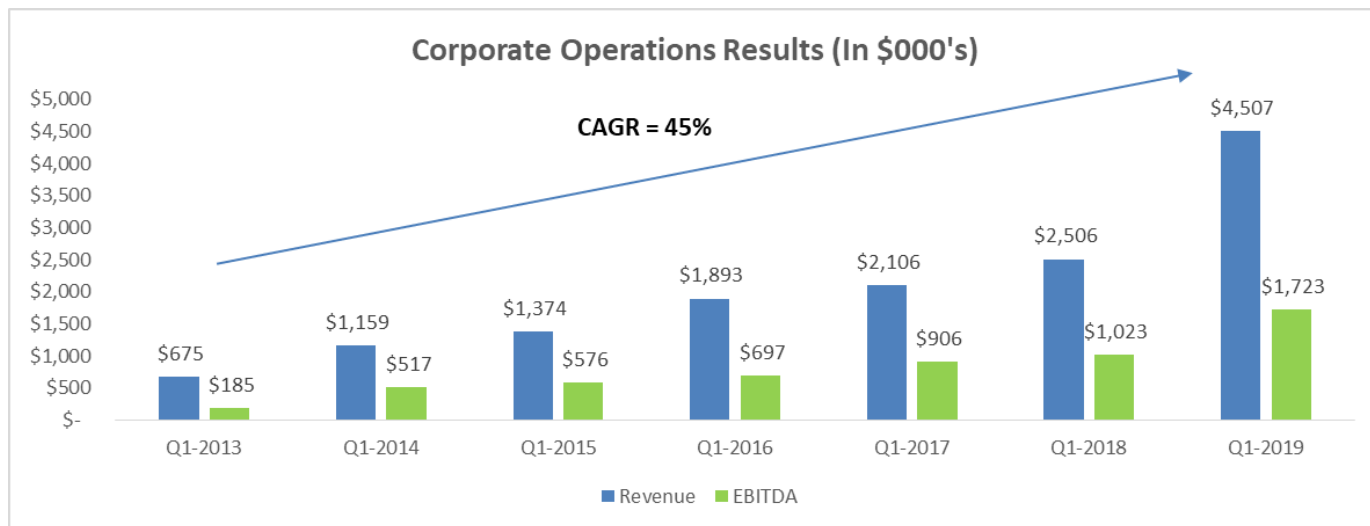
Driving Depth in existing Corporate Markets

Redishred's plan is to acquire shredding businesses in existing and adjacent markets that lead to the following outcomes:

1. Increase our market share in existing corporate markets.
2. Generate strong route densities driving stronger route operating income.
3. Minimize risk of client service issues by having increased access to trucks in nearby markets.
4. Maximize the utilization of centralized services in our head office.



Note (1): The above green figures refer to the year over year growth in same location service system sales.



Performance Compared to 2019 Targets⁽¹⁾

Growth of Same Location Shredding System Sales:	
2019 Target⁽²⁾	Growth of 10% to \$34M USD.
Q1-2019 Performance Expected to be On Target	Redishred's shredding system sales (scheduled and unscheduled sales) grew by 12% over Q1-2018, achieving \$8.3M USD.
Consolidated EBITDA and Operating Income from same locations:	
2019 Target	Attain EBITDA of \$3.5M from same locations, growing by 14% over 2018 EBITDA from same locations. Attain operating income of \$2.1M from same locations, growing by 11% over 2018 operating income from same locations. This does not include the North New Jersey results as the acquisition was completed on October 1, 2018 or the Kansas results as the acquisition was completed on January 31, 2019.
Q1-2019 Performance On Target	During the 1 st quarter of 2019, Redishred earned \$937,100 in EBITDA from same locations, an increase of 17% over the 1 st quarter of 2018. Operating income from same locations for Q1-2019 was \$628,000, growing 14% over Q1-2018.
EBITDA and Operating Income from acquired operations:	
2019 Target	Attain EBITDA margin of at least 35% and operating income margin of 27% prior to transition and acquisition costs.
Q1-2019 Performance On Target	During the 1 st quarter of 2019, the EBITDA margin for acquired operations was 37% and operating income margin was 26%.
Franchise Development:	
2019 Target	Award one new franchise in the United States.
Q1-2019 Performance	The Company did not award any new franchise locations during Q1-2019. Redishred is actively pursuing franchise opportunities in open markets.
Expand by way of Accretive Acquisitions:	
2019 Target	Conduct between \$7M and \$10M of acquisitions. The Company has revised the target to \$15M of acquisitions.
Q1-2019 Performance Exceeded Target	During Q1-2019, the Company conducted \$11M in acquisitions with the purchase of the Proshred Kansas City and Secure E-Cycle businesses. Redishred continues to identify and market to acquisition targets in the United States.

(1) The performance targets do not include the IFRS 15 and IFRS 16 adjustments and therefore include an imputed operating lease charge.
(2) The same location shredding system sales have been restated from \$43.7M reported in Q4-2018 which represent the Company's target for total system sales.

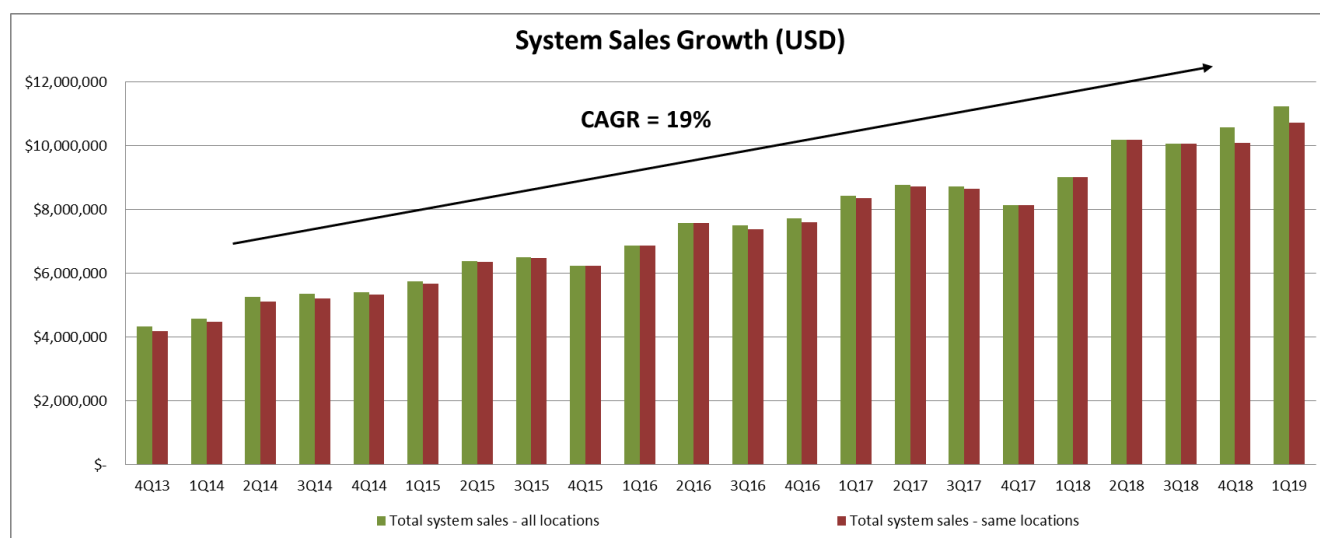
Total System Sales

Franchisees and corporate locations derive revenue by providing shredding services to their customers, and by selling recycled paper and other recyclable by-products (ie. metals and plastics). 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:

For the three months ended March 31,	2019	2018	% Change
Total North American operating locations at period end	30	29	3%
Total system sales (USD)	\$11,226,169	\$ 9,005,422	25%
Total same location system sales (USD)	\$10,473,561	\$ 9,005,422	16%
Total system sales (CAD)	\$14,921,450	\$ 11,391,859	31%

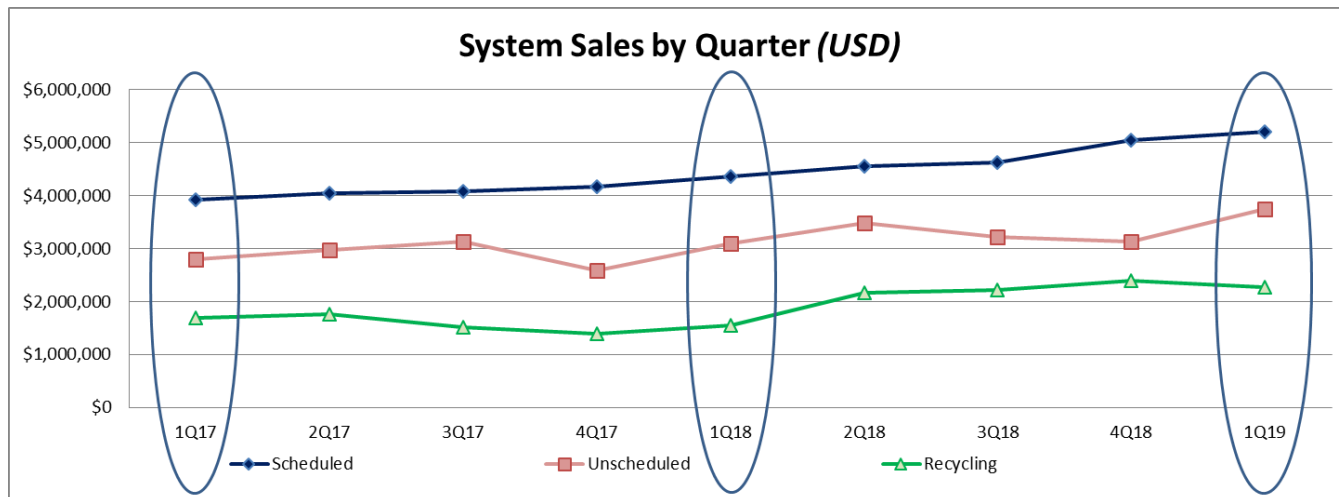
System Sales Trend:

The following chart illustrates system sales growth in USD by quarter since the fourth quarter of 2013.



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



For the three months ended March 31, 2019, service-related system sales grew by USD\$885,710, a 12% increase over the comparative 2018 period.

Scheduled system sales:

Scheduled system sales are defined as the revenue generated from customers with regular service that typically 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 of 19% in Q1-2019 over Q1-2018.

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	\$	\$	
Scheduled service sales (USD)	5,205,886	4,362,103	19%
Same store scheduled service sales (USD)	4,892,657	4,362,103	12%

Unscheduled system sales:

Unscheduled system sales are defined as the revenue generated from customers who have one-time or seasonal requirements for information 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 3 months ended March 31, 2019, unscheduled sales reached \$3.7 million, growing 21% over Q1-2018.

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	\$	\$	
Unscheduled service sales (USD)	3,742,544	3,093,076	21%
Same store unscheduled service sales (USD)	3,448,233	3,093,076	11%

**REDISHRED CAPITAL CORP.
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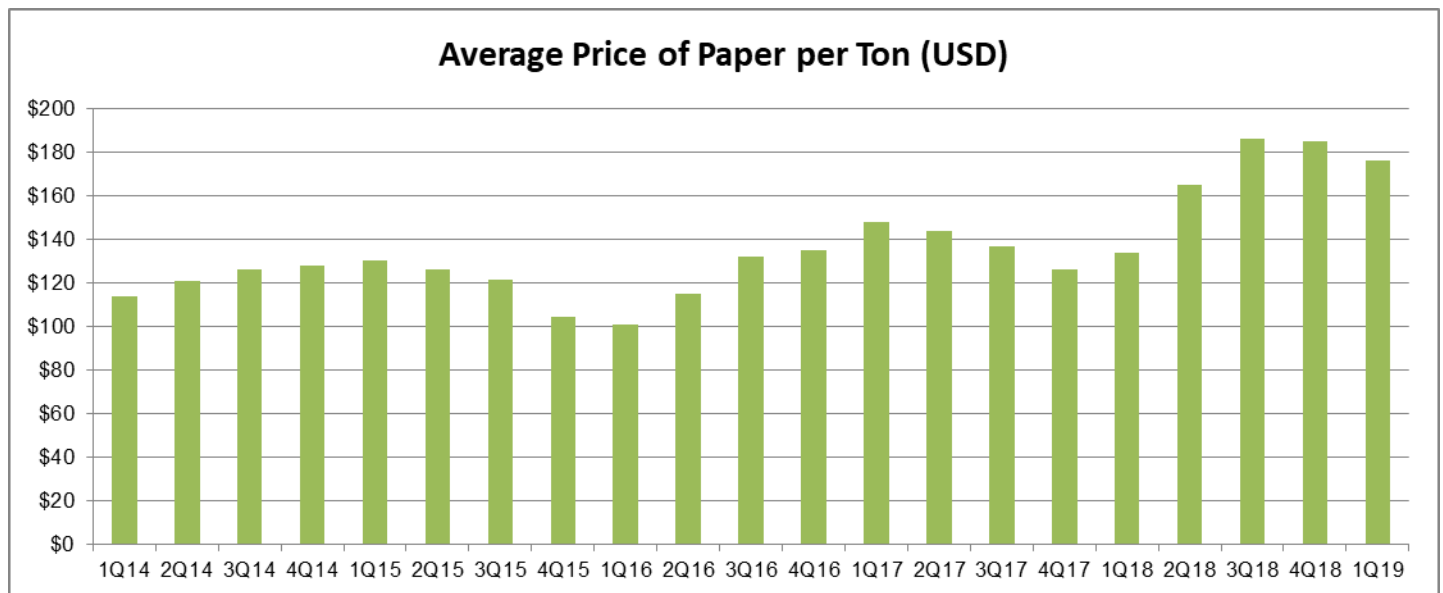
Recycling system sales:

Recycling system 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.

For the three months ended March 31,	2019	2018	% Change
Recycling sales (USD)	\$ 2,277,740	\$ 1,550,243	47%
Same store recycling sales (USD)	\$ 2,132,672	\$ 1,550,243	38%
Tonnage processed (All locations)	13,000	11,200	16%

Paper Pricing Trends:

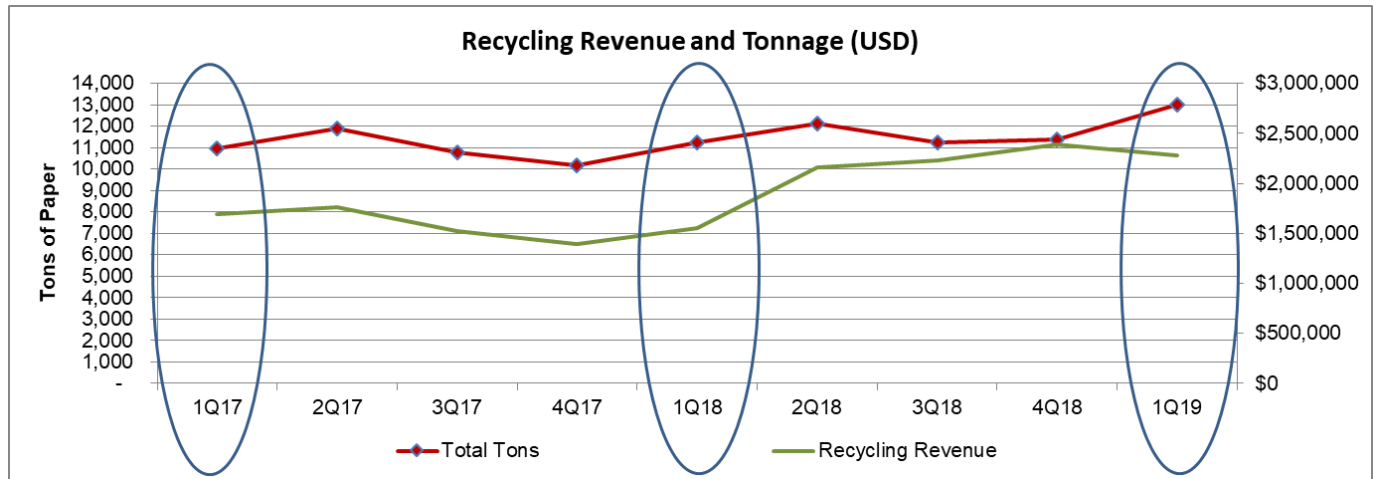
In the latter half of 2018, the average paper price in the Proshred system reached a 7-year high. During the three months ended March 31, 2019, the average paper price in the Proshred system declined from \$185 per ton in Q4-2018 to \$176 per ton. The average paper price in the Proshred system in Q1-2019 was 31% higher than in Q1-2018. Subsequent to Q1-2019, the average paper price in the Proshred system declined further and is forecasted to decline into Q3-2019.



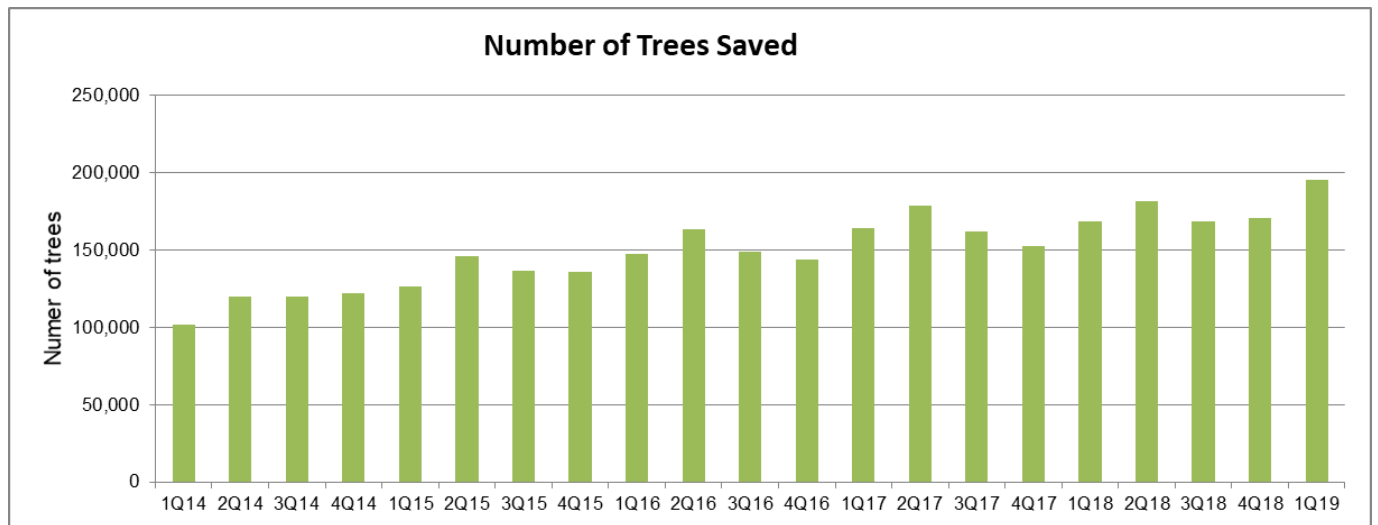
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Historical Volume of Paper:

During Q1-2019, the system shred and recycled 16% more paper than in Q1-2018. Same locations in the system shred and recycled 9% more paper in Q1-2019 over Q1-2018. The Proshred system shred and recycled 13,000 tons of paper during the first quarter of 2019 (11,200 – during the first quarter of 2018), which equates to 195,000 trees being saved (Q1-2018 – 168,000).⁽¹⁾

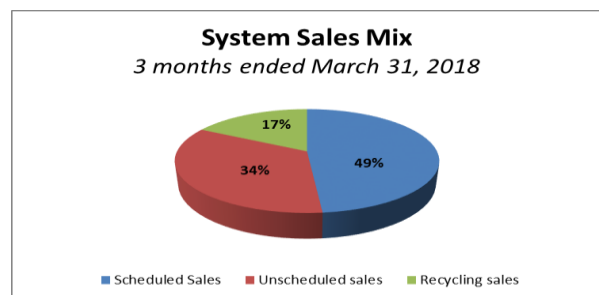
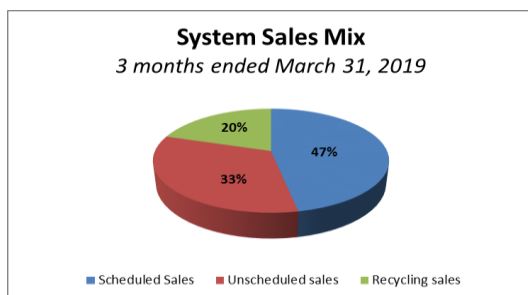


(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.



(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.

Mix of business:



Franchising & Licensing

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. The initial fee is recognized as revenue over the term of the related franchise or license agreement on a straight-line basis in accordance with the new accounting standard adopted in 2018. The Company also manages an advertising fund established to collect and administer funds contributed for use in regional and national sales and marketing programs, initiatives designed to increase sales and enhance general public recognition, and use of the Proshred System.

In Q1-2019, royalty and service fees denominated in US dollars grew by 6% over Q1-2018. With the acquisition of the Kansas City franchise on January 31, 2019, the Company now earns corporate location revenue and no longer earns royalty fees from that location. As the Company earns all franchising and licensing related revenues in US dollars, which are translated at the average exchange rate for the period, the appreciation of the Canadian dollar over the prior year resulted in a decline in royalty and service fees denominated in Canadian dollars.

For the three months ended March 31,	Total Franchise Locations			Same Franchise Locations		
	2019	2018	% Change	2019	2018	% Change
Total number of franchisees operating at period end	21	22	(5)%	21	21	0%
In CAD: Royalty, license and service fees	\$ 567,229	\$ 509,414	11%	\$ 546,804	\$ 476,166	15%
In USD: Royalty, license and service fees	\$ 426,488	\$ 402,700	6%	\$ 411,131	\$ 376,417	9%

For the three months ended March 31,	2019	2018 (restated)	% Change
	\$	\$	
In CAD: Franchise fees	57,758	54,935	5%
In USD: Franchise fees	43,427	43,427	0%

Advertising Fund

The Company manages an advertising fund (the "Ad Fund") established to collect and administer funds contributed for use in regional and national advertising programs, and amongst other things, initiatives designed to increase sales and enhance general public recognition and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regard to these contributions. Ad Fund contributions are required to be made from both franchised and Company owned and operated locations and are based on the annual level of revenue from each location. The Ad Fund contributions and expenses of \$28,994 from the Company owned locations have been eliminated on consolidation.

The Company has an Ad Fund cash balance of \$188,685 as at March 31, 2019 and expects to incur a loss in fiscal 2019 and onward as the Ad Fund will continue to invest in marketing channels, tools and web redesigns, thereby incurring expenses in excess of the contributions collected. Prior the adoption of IFRS 15 in 2018, the Company recorded the net balance of the fund on its Balance Sheet.

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In CAD:

For the three months ended,	March 31, 2019	March 31, 2018 (restated)	% Change
	\$	\$	
Advertising fund revenue	70,357	83,490	(16)%
Advertising fund expenses	(112,947)	(118,953)	5%
Advertising fund loss	(42,590)	(35,463)	(20)%
As at,	March 31, 2019	December 31, 2018	
Cash attributable to the advertising fund	188,685	215,709	(13)%

In USD:

For the three months ended,	March 31, 2019	March 31, 2018 (restated)	% Change
	\$	\$	
Advertising fund revenue	74,700	66,000	(13)%
Advertising fund expenses	(84,923)	(94,034)	10%
Advertising fund loss	(10,223)	(28,034)	63%
As at,	March 31, 2019	December 31, 2018	
Cash attributable to the advertising fund	141,475	158,168	(11)%

Corporate Locations

As of March 31, 2019, the Company operates nine shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte, Miami, Northern Virginia, North New Jersey and Kansas. These locations represent the Company's corporately owned locations.

On January 31, 2019, the Company acquired the Proshred Kansas City and Secure E-Cycle businesses from its franchisee. The results of these acquisitions are included under non-same corporate locations (see chart on page 19). Included in non-same operating costs are vendor-related consulting fees for the North New Jersey and Kansas City transitions of \$74,480 which accounts for 5% of non-same revenue and 2% of total revenue. The results of the three acquisitions conducted during 2018 are also included under non-same corporate locations as the Company was not operating these businesses during Q1-2018 (see chart on page 18). As a result of the acquisitions conducted in the quarter, total corporate location revenues in USD grew by 71% and EBITDA grew by 60% over the prior comparative period.

With the adoption of the new IFRS 16 standard, the lease rental expense previously included in operating costs has now been replaced with a charge for depreciation of the lease asset and imputed interest. As the Company has not restated the prior year balances, the impact of this accounting change on the operating costs is shown on page 19.

Same corporate location USD EBITDA excluding the IFRS 16 adjustments declined by 7% as a result of the following:

- (1) driver shortages causing upward pressure on driver wages and overtime;
- (2) The Company's revenue mix has shifted towards higher recurring revenue while our unscheduled revenue declined moderately;
- (3) investment in additional sales human resources with a view to driving increased recurring scheduled revenue;
- (4) investment in stronger management in our major locations; and
- (5) increased truck repair costs and truck downtime.

The Company invested in two new shredding vehicles during Q1-2019 with a view to reducing truck downtime and repair costs.

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In CAD, In 000's	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the 3 months ended March 31,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding service	3,644	2,120	72%	2,366	2,120	12%	1,278	-
Recycling	863	386	124%	526	386	36%	337	-
Total revenue	4,507	2,506	80%	2,892	2,506	15%	1,615	-
Operating costs	2,784	1,484	88%	1,803	1,484	22%	981	-
EBITDA	1,723	1,022	69%	1,089	1,022	6%	634	-
<i>% of revenue</i>	38%	41%	(3)%	38%	41%	(3)%	39%	-
Depreciation – tangible assets	548	242	126%	333	242	38%	215	-
Operating income	1,175	780	51%	756	780	(3)%	419	-
<i>% of revenue</i>	26%	31%	(5)%	26%	31%	(4)%	26%	-

In USD, In 000's	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
	2019	2018	% Change	2019	2018	% Change	2019	2018
For the 3 months ended March 31,	\$	\$		\$	\$		\$	\$
Revenue:								
Shredding service	2,741	1,676	64%	1,779	1,676	6%	962	-
Recycling	649	305	113%	396	305	30%	253	-
Total revenue	3,390	1,981	71%	2,175	1,981	10%	1,215	-
Operating costs	2,094	1,173	78%	1,356	1,173	16%	738	-
EBITDA	1,296	808	60%	818	808	1%	477	-
<i>% of revenue</i>	38%	41%	(3)%	38%	41%	(3)%	39%	-
Depreciation – tangible assets	412	191	115%	251	191	31%	161	-
Operating income	884	617	43%	568	617	(8)%	316	-
<i>% of revenue</i>	26%	31%	(5)%	26%	31%	(5)%	26%	-

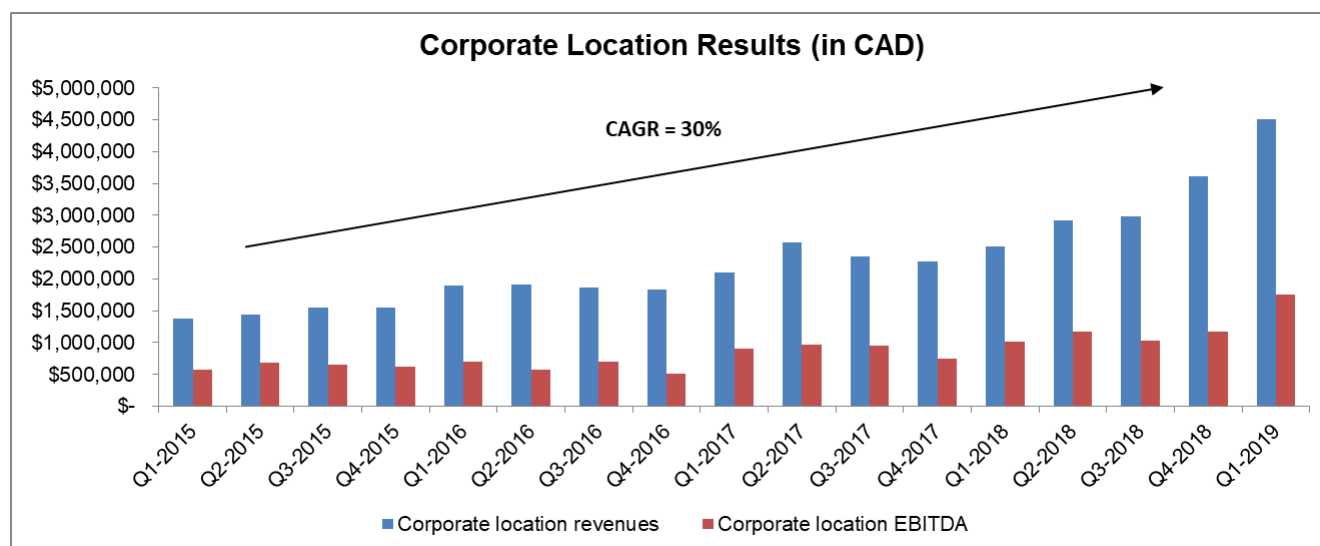
Corporate location revenues and operating costs are generated in US dollars, which are translated at the average exchange rate for the period.

With the adoption of IFRS 16, the leases that were classified as operating leases under IAS 17 and charged to operating costs in 2018 have been replaced with a charge to depreciation below the EBITDA line and a charge to interest below the operating income line.

**REDISHRED CAPITAL CORP.
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In USD, In 000's

	2019 As reported	IFRS 16 adjustments	Proforma excluding IFRS 16 adjustments	2018 As reported	% change
For the three months ended March 31,					
Total Corporate Locations EBITDA	\$1,296	\$(91)	\$1,205	\$808	40%
<i>As a percentage of revenue</i>	38%		36%	41%	(5)%
Total Corporate Locations Operating Income	\$884	\$(4)	\$880	\$617	43%
<i>As a percentage of revenue</i>	26%		26%	31%	(5)%
Same Corporate Locations EBITDA	\$818	\$(64)	\$754	\$808	(7)%
<i>As a percentage of revenue</i>	38%		35%	41%	(6)%
Same Corporate Locations Operating Income	\$568	\$(2)	\$566	\$617	(8)%
<i>As a percentage of revenue</i>	26%		26%	31%	(5)%
Non-same Corporate Locations EBITDA	\$477	\$(27)	\$450	-	-
<i>As a percentage of revenue</i>	39%		37%	-	-
Non-same Corporate Locations Operating Income	\$316	\$(2)	\$314	-	-
<i>As a percentage of revenue</i>	26%		26%	-	-



Note: The Company acquired the assets of Recordshred Inc. on December 31, 2015, the North Virginia franchise on March 31, 2017, the assets of Shred Con on April 2, 2018, the assets of On Guard on June 8, 2018, the assets of Safe Shredding on October 1, 2018 and the Kansas City franchise on January 31, 2019. Corporate operating income does not include an allocation of corporate overhead.

Corporate Overhead

Corporate overhead expenses for the three months ended March 31, 2019 include expenses to support all Proshred locations in operations, training and initial support for pending locations, and the costs to develop new markets by way of franchising and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, and management salaries and benefits.

The acquisition costs incurred during the quarter relates to legal fees for the Kansas acquisitions.

As a result of the adoption of the new IFRS 16 standard, the lease rental expense included in corporate overhead expenses has now been replaced with a charge for depreciation of the lease asset and imputed interest. As the Company has not restated the prior year balances, the impact of this accounting change on the corporate overhead expenses is shown below.

Corporate overhead expenses of the Company are broken down as follows:

For the three months ended March 31,	<u>2019</u>	2018	% Change
	\$	\$	
In CAD:			
Salaries and benefits	369,330	328,974	(12)%
Stock based compensation	40,021	140,752	72%
Acquisition costs	31,348	11,247	(179)%
General, administrative and marketing	245,143	271,801	10%
Total corporate overhead expenses	685,842	752,774	9%

In \$000's	2019	IFRS 16	Proforma	2018	%
For the three months ended March 31,	As	adjustments	excluding	As	%
	reported		IFRS 16	reported	change
			adjustments		
Total corporate overhead expenses	\$685	\$40	\$725	\$753	4%

Other Income and Expenses

Depreciation and Amortization – Franchising

Depreciation relates to the purchase of computer equipment and furniture. Amortization relates to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008 as well as website development. As of January 31, 2018, these intangible assets were fully depreciated.

Depreciation and amortization is as follows:

For the three months ended March 31,	<u>2019</u>	2018	% Change
	\$	\$	
In CAD:			
Depreciation – tangible assets	-	5,580	100%
Amortization – intangible assets	4,568	78,639	94%

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Amortization – Corporate locations

Amortization of intangible assets primarily relates to the assets purchased by way of acquisition. The significant increase is due to the acquisition of the Safe Shred business in Northern New Jersey and the acquisition of the Proshred Kansas business.

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	\$	\$	
In CAD:			
Amortization – intangible assets	243,881	82,334	(296)%
In USD:			
Amortization – intangible assets	183,369	64,836	(283)%

Foreign exchange

The Company has revenues and costs that are denominated in US dollars; this dependency on the US dollar typically causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar. 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 typically results in unrealized foreign exchange gains or losses.

Exchange rates utilized

<u>As at,</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>% Change</u>
	\$	\$	
Close rate	1.33	1.36	(2)%
<u>For the three months ended,</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>% Change</u>
	\$	\$	
Average rate	1.33	1.27	5%

Foreign exchange (loss) gain was as follows:

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	\$	\$	
Foreign exchange (loss) gain	<u>(232,131)</u>	152,586	(252)%

Interest income and expense

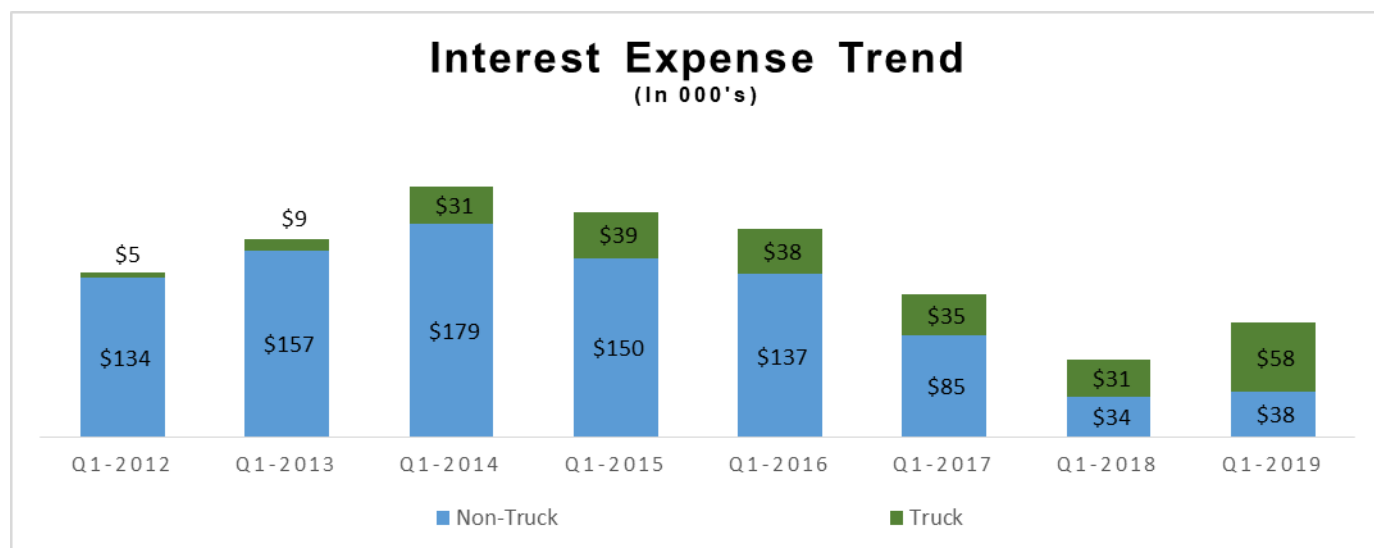
Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees and acquisitions.

Interest expense for the three months ended March 31, 2019 relates to the following:

- the Company's term loan, which currently bears interest at 6.45% per annum,
- truck loan and lease agreements, which bear interest at 4.95% to 7.50% per annum and
- the Company's lease liabilities related to the transition to IFRS 16.

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Interest expense increased during Q1-2019 in comparison to Q1-2018 as a result of (1) the transition to IFRS 16 which resulted in imputed interest on lease payments, (2) the purchase of new trucks during 2018 and during the first quarter of 2019 which were all financed and (3) notes payable related to the acquisitions conducted.



Note 1: The above chart does not include interest related to the lease liabilities.

For the three months ended March 31,	<u>2019</u>	<u>2018</u>	<u>% Change</u>
	\$	\$	
Interest income	8,293	1,192	696%
Interest expense	(122,295)	(65,460)	(87)%

Income Tax

The Company has incurred Canadian non-capital losses that can be carried forward to reduce taxes payable in Canada. The losses expire at various times through December 31, 2035. The Company has incurred U.S. non-capital losses that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times through December 31, 2037. During 2018, the Company recognized all temporary differences and non-capital losses.

Reconciliation of EBITDA to Net Income

For the three months ended March 31,

	2019	2018	% Change
	\$	\$	
EBITDA	1,619,741	798,759	103%
Less: depreciation – tangible assets	(587,436)	(247,511)	(137)%
Operating income	1,032,305	551,248	87%
Less: interest expense	(122,295)	(65,460)	(87)%
Add: interest income	8,293	1,192	595%
Operating income less net interest expense	918,304	486,979	88%
Less: amortization - intangible assets	(248,449)	(160,723)	(54)%
Income before foreign exchange and income tax	669,855	326,256	105%
Add: foreign exchange (loss) gain	(232,131)	152,586	(252)%
Add: other income	131,254	-	100%
Less/add: income tax (expense) recovery	(23,665)	21,759	(108)%
Net income	545,312	500,602	9%

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Selected Quarterly Results

As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company also experiences seasonality for unscheduled shredding with the 2nd and 3rd quarters of every year typically being stronger than the 1st and 4th quarters of every year.

<i>(in CAD except where noted)</i>	2019		2018 ⁽¹⁾			2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
System sales (USD)	11,226,169	10,576,398	10,067,397	10,192,111	9,005,422	8,145,441	8,731,719	8,772,960
Consolidated Performance								
Revenue	5,202,806	4,326,617	3,691,728	3,487,696	3,154,292	3,375,742	2,834,413	3,101,767
EBITDA	1,619,741	944,338	845,812	926,592	798,759	774,202	864,596	698,592
Operating Income	1,032,305	585,503	549,070	654,007	551,248	512,284	609,446	434,200
Corporate Location Performance								
Revenue	4,507,462	3,607,617	2,977,170	2,924,082	2,506,453	2,280,150	2,349,342	2,579,361
EBITDA	2,784,275	1,169,290	1,038,069	1,178,971	1,022,647	768,539	952,118	967,171
Operating Income	1,175,551	820,880	752,743	911,916	780,715	522,254	701,157	705,547
Operating income per weighted average share fully diluted	0.015	0.010	0.008	0.013	0.011	0.011	0.012	0.009
Income (loss) before taxes from continuing operations	568,977	1,034,253	279,593	602,722	478,843	281,892	(46,404)	(60,640)
Income (loss) attributable to owners of the parent	545,312	1,192,933	331,000	690,295	500,602	845,566	(68,117)	(108,111)
Basic and diluted net income (loss) per share	.01	.02	.01	.01	.01	.02	(.00)	(.00)

(1) Certain amounts have been restated with the adoption of IFRS 15 on a retrospective basis in 2018. Certain amounts have been reclassified to conform to the current period's presentation.

Financial Condition, Capital Resources and Liquidity

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

As at March 31 and December 31,	2019	2018	% Change
In \$000's			
Working capital	\$(2,383)	\$7,288	(133)%
Total assets	\$31,720	\$27,943	14%
Total liabilities	\$11,222	\$7,995	40%
Total current liabilities	\$5,347	\$3,490	53%
Debt to total assets ratio	0.35	0.29	21%
Normalized Fixed Charge Coverage ratio – rolling 12 months	2.39	1.94	23%
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	1.88	1.69	11%

As at March 31, 2019, the Company's working capital is negative as a result of the cash reserves used for the Kansas acquisitions on January 31, 2019. Subsequent to Q1-2019, the Company secured an additional senior credit facility of USD\$9.5 million and advanced USD\$4.47 million. The advance on the term loan bears interest at a fixed rate of 3.50% with an amortization period of 60 months.

The total assets of the Company have increased when compared to December 31, 2018 as a result of the Kansas acquisitions with a total of \$11 million in assets purchased.

The total liabilities of the Company have increased over December 31, 2018 as the acquisitions conducted during the quarter included debt financing by way of line of credit, notes payable and contingent consideration.

The total assets and liabilities also increased due to the adoption of the accounting policy, IFRS 16, leases. Under the new standard, leases previously classified as operating leases are now classified as finance leases and recorded as a right-of-use asset and lease liability on the balance sheet.

As of March 31, 2019, the Company has the following debt available for use: \$2 million on its related party line of credit, and \$1 million on its term loan. The Company also has \$1.1 million available for use on its line of credit with a lender in the United States.

The Company's rolling twelve-month fixed charge coverage and its total funded debt to EBITDA ratio comply with its financial covenants. Management will continue to balance investment in human resources, trucks and technology with continued management of its debt balances.

Bank indebtedness

The Company has the following secured senior credit facilities:

- (1) An operating line of credit of \$1 million bearing interest at prime rate plus 1.7% and;
- (2) A non-revolving term loan in the amount of \$3 million with an amortization of 60 months from the date of drawdown, bearing interest at prime rate plus 2.5%.

As at March 31, 2019, the Company's lender has advanced \$2 million on the non-revolving term loan, of which the balance is \$1,337,829, at March 31, 2019. During the three months ended March 31, 2019, the Company received an advance on the operating line of credit, of which the balance is \$892,192 (nil balance – December 31, 2018).

Subsequent to March 31, 2019, the Company secured an additional senior credit facility, a non-revolving term loan, of USD\$9.5 million. On May 6, 2019, the Company was advanced USD\$4.47 million on the USD\$9.5 million term loan bearing interest at a fixed rate of 3.50% with an amortization period of 60 months. The Company also revised the terms of its existing credit facilities with its lender. The non-revolving term loan interest rate was reduced from prime rate plus 2.50% to prime rate plus 1.00%.

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The Company has also established a \$1.7 million USD line of credit for the purchase of shredding vehicles with a lender in the United States. The line of credit is open for one year, until November 2019 when an annual credit review is completed. The interest rate is based on prevailing market rates at the time the line is used. As of March 31, 2019, the Company has received an advance of USD\$600,715 on the line of credit, which is included in the truck loans balance. The Company has USD\$1,099,285 available for use on the line of credit as of March 31, 2019.

Related party line of credit

The Company has a related party line of credit facility for a maximum amount of CAD\$2.0 million. The line of credit facility matures on July 16, 2022 and bears interest at a fixed rate of 10% per annum. The line of credit is secured by a second in priority general security agreement over the Company's assets. As at March 31, 2019, the facility has not been drawn upon (\$nil balance – December 31, 2018).

Lease liabilities

With the adoption of IFRS 16 – Leases, effective January 1, 2019, the Company has recorded lease liabilities at the present value of the remaining lease payments, discounted at the related incremental borrowing rate.

The activity related to the lease liabilities for the three months ended March 31, 2019 is as follows:

	<u>March 31, 2019</u>
	\$
Opening balance	1,277,839
Acquisitions	642,506
Additions	56,773
Imputed interest	(25,637)
Principal payments	(135,994)
Foreign exchange	16,767
	<u>1,832,254</u>
Closing balance	<u>1,832,254</u>

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

The Company did not declare any dividends during the year.

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

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance March 31, 2019	66,561,105	24,367,666	1,648,400	593,424	68,209,505	24,961,090
Balance December 31, 2018	66,557,355	24,350,575	1,652,150	610,515	68,209,505	24,961,090

Capital Assets

As at,	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>% Change</u>
	\$	\$	
Net book value	9,942,632	5,835,968	70%

The Company's capital assets (not including intangible assets) increased due to:

- (1) the adoption of IFRS 16 – Leases which resulted in a total right-of use assets balance of \$1.8 million at March 31, 2019; and
- (2) the Kansas acquisitions which resulted in a total of \$2.9 million in capital assets purchased.

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. There is an accounts receivable balance of \$2,127 due from this franchise at March 31, 2019 (December 31, 2018 - \$nil). During the three months ended March 31, 2019, the Company earned royalties, service fees, franchise fees and interest income of \$42,912 (three months ended March 31, 2018 - \$35,610) from this franchise. Included in notes receivable from the franchisees is a three year note receivable balance of \$6,880, which has an interest rate of 5% per annum.

Risks and Uncertainties

Please refer to the Redishred 2018 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, 2018, 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 2018 Annual Report.

During the most recent interim period, the Company adopted the new accounting standard IFRS 16 – Leases, effective January 1, 2019. IFRS 16 eliminates the classification of an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. As a result, the Company recognized an increase to both assets and liabilities on its Consolidated Statements of Finance Position as well as a decrease to operating costs, an increase to depreciation and amortization and an increase to finance costs.

The Company adopted IFRS 16 using the modified restrospective approach using practical expedients, as permitted, which do not require the restatement of prior period financial information. As a result, the cumulative effect of initial application was recognized as an adjustment to retained earnings within shareholders' equity on January 1, 2019.

For leases that were classified as operating leases under IAS 17, lease liabilities and right-of-use assets have been recognized. The right-of-use assets have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid rent related to that lease. The lease liabilities have been measured at the present value of the remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019.

Judgements are necessary in determining whether a contract contains an identified asset. The Company needs to determine whether the identified asset is physically distinct or represents substantially all of the capacity of the asset and provides the right to substantially all of the economic benefits from the use of the asset. There is also judgement required in determining whether or not the Company has the right to control the use of the identified asset. If the Company has the decision making rights that are most relevant to changing how and for what purpose the asset is used then the Company has the right to control the assets use.

The Company uses judgment in determining the incremental borrowing rate used to measure the lease liability for each lease contract, which should reflect the interest that the Company would have to pay to borrow at a similar term and security.

Judgement is required when assessing whether it is reasonably certain that a lease extension option will be exercised. The Company typically exercises extension options on its leases however periodic reassessments are made as to whether the Company is reasonably certain to exercise the options.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2019, there were 66,561,105 issued and outstanding common shares and 1,904,500 options to acquire common shares. There were no stock options exercised in the first three months of 2019 (for the three months ended March 31, 2018 – 25,000). There were 3,750 warrants exercised during Q1-2019 (nil – Q1-2018). There were 124,050 stock options granted during the three months ended March 31, 2019 (for the three months ended March 31, 2018 – 305,000). There were 5,000 stock options that expired during the three months ended March 31, 2019 (nil – three months ended March 31, 2018). For the three months ended March 31, 2019, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$40,021 (for the three months ended March 31, 2018 – \$140,752).

Subsequent events

On April 11, 2019, the Company granted 162,400 stock options to key management personnel. The stock options were granted at a price of \$0.83 with a life of five years, expiring on April 10, 2024.

On May 3, 2019, the Company secured a senior credit facility of an aggregate amount of USD\$9.5 million with the Company's lender. The Company also revised the terms of its existing credit facilities including a reduction in the interest rate to prime rate plus 1.0%. The Company's lender advanced USD\$4.47 million on the USD\$9.5 million non-revolving demand loan bearing interest at a fixed rate of 3.50% with an amortization of 60 months.

Dated: May 29, 2019

