

## Table of Contents

Forward Looking Statements .....	2
Non-IFRS Measures.....	3
Basis of Presentation.....	3
Overview of Redishred Capital Corp.....	4
Worldwide locations.....	6
Performance Compared to 2014 Goals and Objectives .....	7
Overall Performance .....	8
Franchising & Licensing.....	9
System Sales.....	9
Total Franchising Revenue.....	13
Consolidated Operating Expenses .....	14
Amortization – Franchising .....	14
Corporate Operations .....	14
Depreciation and Amortization.....	16
Operating income (loss).....	16
Foreign exchange.....	16
Interest income and expense.....	17
Income Tax.....	17
Net income (loss).....	17
Selected Quarterly Results .....	18
Balance Sheet.....	19
Financial Condition, Capital Resources and Liquidity.....	19
Equipment.....	20
Off-Balance Sheet Financing Arrangements .....	20
Transactions with Related Parties .....	20
Risks and Uncertainties .....	21
Use of estimates and judgements.....	21
Investor Relations Activities.....	21
Share Data .....	22
Subsequent events.....	22

## **Overview of the Structure of the MD&A**

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the interim consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's unaudited consolidated interim financial statements for the nine months ended September 30, 2014 and 2013. Additional information on Redishred, including these documents and the Company's 2013 Annual Report are available on SEDAR at [www.sedar.com](http://www.sedar.com). The discussions in this MD&A are based on information available as at November 27, 2014.

## **Forward Looking Statements**

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

- (i) the Company's ability to achieve certain levels of cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due over the next twelve months, which may be impacted by:
  - a. the number of new franchises awarded,
  - b. the size of the franchise territories awarded,
  - c. the growth of the system sales achieved by existing and new locations,
  - d. the economic circumstances in certain regions of the United States,
  - e. the number and size of acquisitions,
  - f. the growth of sales achieved in corporate locations,
  - g. the level of corporate overhead,
  - h. the potential of litigation,
- (ii) franchise development or the awarding of franchises, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise;
- (iii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms;
- (iv) anticipated system sales, royalty revenue and corporate store revenue, which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft;
- (v) recycling revenues may be impacted by commodity paper prices which will vary with market conditions both in the United States and Internationally;
- (vi) the commencement of new franchise operations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution;
- (vii) the anticipated corporate results which may be impacted by the ability of the Company to attain the anticipated cost savings and by the performance of the local economies; and

- (viii) the Company's ability to achieve positive incremental cash flow and lead to positive cash flows for the Company as a result of its acquisitions, which may be impacted by growth of sales and level of costs incurred by such acquisitions.

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 2014 and 2013.
- EBITDA is defined as earnings before interest, taxes, depreciation and amortization, impairment or reversal of impairment and gains or losses on acquisitions. EBITDA is a performance measure used to assess the corporate locations' performance.
- Corporate operating income (loss) is the income (loss) generated by corporately operated locations. The operating income (loss) generated is inclusive of depreciation on tangible equipment, primarily trucks and containers. It does not include amortization related to intangibles assets or allocations for corporate overhead. The corporate operating income (loss) also includes the interest related to the Company's line of credit utilized to purchase the corporately operated locations.
- Operating income (loss) is defined as revenues less operating costs, interest expense, depreciation and amortization related to tangible assets. Depreciation and amortization for intangible assets has not been included in this calculation.

### **Basis of Presentation**

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

## **Overview of Redishred Capital Corp.**

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

As of September 30, 2014, there were 27 operating Proshred locations in the United States comprised of 117.4 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 the Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami locations directly.

As of September 30, 2014, the Company also has one international master license to operate in the Middle East<sup>1</sup>. There are 7 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.

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

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

The Company's location list is as follows:

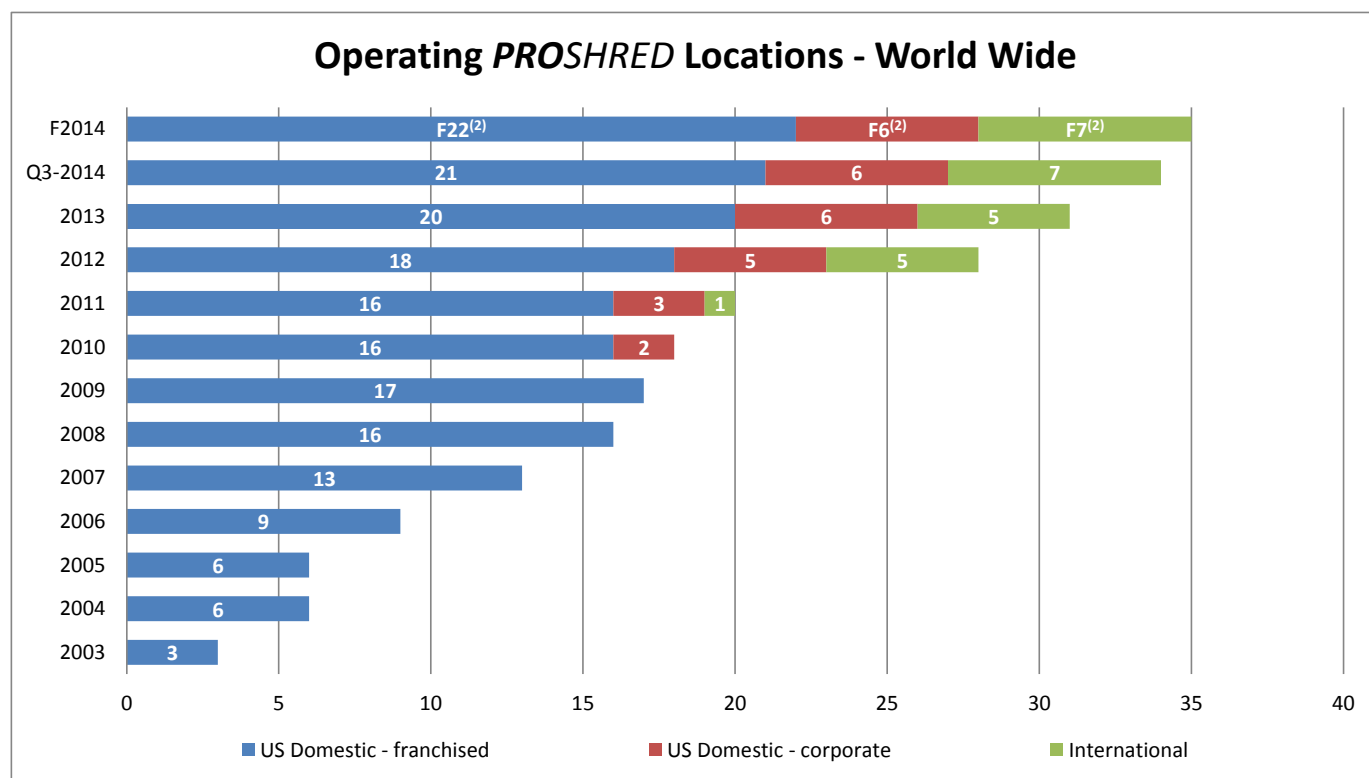
<b>No.</b>	<b>Franchise locations</b>	<b>Operating since</b>	<b>Territories</b>
1.	SPRINGFIELD, MA	June 2003	2.3
2.	TAMPA BAY, FL	March 2004	2.1
3.	DENVER, CO	August 2004	3.8
4.	PHILADELPHIA, PA	September 2006	5.0
5.	KANSAS CITY, MO	December 2006	4.0
6.	NEW HAVEN, CT	April 2007	3.6
7.	CHICAGO, IL (includes 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
<i>Franchised territories in operation</i>			<u>90.70</u>
<b>No.</b>	<b>Corporate locations</b>	<b>Operating since</b>	<b>Territories</b>
22.	SYRACUSE, NY	March 2004 <sup>(1)</sup>	2.5
23.	ALBANY, NY	April 2003 <sup>(1)</sup>	1.2
24.	MILWAUKEE, WI	August 2003 <sup>(1)</sup>	2.7
25.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008 <sup>(1)</sup>	11.3
26.	MIAMI, FL	June 2008 <sup>(1)</sup>	5.7
27.	CHARLOTTE, NC	April 2006 <sup>(1)</sup>	3.3
<i>Corporate territories in operation</i>			<u>26.70</u>
<b>Grand Total</b>			<u><b>117.4</b></u>

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

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

<b>No.</b>	<b>International locations</b>	<b>Operating since</b>	<b>Territories</b>
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 17<sup>th</sup>, 2008 qualifying transaction was obtained from the predecessor Company.  
(2) Management's forecast for the year ended December 31, 2014.

**Performance Compared to 2014 Goals and Objectives**

In the Company's 2013 Annual Report, management stated its 2014 goals and objectives. A review of the Company's performance in meeting these goals and objectives is included below:

<b>2014 Goals and Objectives</b>	<b>Performance during the three and nine months ended September 30, 2014</b>	<b>Comments</b>
<p>Grow system sales from all locations by 8% to \$18.5M USD compared to 2013.</p>	<p>During the third quarter of 2014, system sales grew by 24% versus the comparative 2013 period. Redishred's:</p> <ul style="list-style-type: none"> <li>• Scheduled (recurring) system sales grew by 14% (same store sales grew by 13%);</li> <li>• unscheduled system sales grew by 37% (same store sales grew by 29%);</li> <li>• recycling system sales increased by 31% (same store sales increased by 27%).</li> </ul> <p>During the nine months ended September 30, 2014, system sales grew by 19%, versus the comparative 2013 period, to a total of \$15.2M. Redishred's:</p> <ul style="list-style-type: none"> <li>• scheduled (recurring) system sales grew by 14% (same store sales grew by 13%);</li> <li>• unscheduled system sales grew by 30% (same store sales grew by 24%);</li> <li>• recycling system sales grew by 15% (same store sales increased by 12%).</li> </ul>	<p><b>Redishred is on target to achieve and exceed its annual goal.</b></p>
<p>Achieve a minimum of \$1.5M in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami).</p>	<p>For the nine months ended September 30, 2014, Redishred earned \$1,612,240 in EBITDA from its corporate locations.</p> <p>For the three months ended September 30, 2014, Redishred earned \$527,868 in EBITDA from its corporate locations.</p>	<p><b>Redishred is on target to exceed its annual goal.</b></p>
<p>Award at least four franchise locations.</p> <p><b><i>The Company revised its target to two franchise locations in the 2<sup>nd</sup> quarter of 2014.</i></b></p>	<p>During the nine months ended September 30, 2014, the Company did not award any new franchise locations.</p>	<p><b>Redishred continues to actively target business brokers with the view to find qualified franchisee candidates. Redishred has revised its target to award one new franchise location.</b></p>

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Overall Performance**

**Selected Financial Data and Results of Operations**

The following table shows selected financial data for the 3 and 9 months ended September 30, 2014 and 2013.

<i>(in CDN except where noted - selected financial data)</i>	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013 <sup>(1)</sup>	% Change	<b>2014</b>	2013 <sup>(1)</sup>	% Change
	\$	\$		\$	\$	
<b>Corporate location data:</b>						
Corporate location revenue	<b>1,247,349</b>	937,034	33%	<b>3,668,197</b>	2,407,880	52%
Corporate location operating costs	<b>(719,481)</b>	(576,519)	(25)%	<b>(2,055,957)</b>	(1,567,861)	(31)%
<b>Corporate location EBITDA</b>	<b>527,868</b>	360,515	46%	<b>1,612,240</b>	840,019	92%
Depreciation – tangible assets	<b>(119,093)</b>	(76,184)	(56)%	<b>(286,683)</b>	(194,098)	(48)%
Interest expense	<b>(208,442)</b>	(168,783)	(23)%	<b>(597,177)</b>	(488,495)	(22)%
<b>Operating income from corporate locations</b>	<b>200,333</b>	115,548	73%	<b>728,380</b>	157,426	363%
<b>Franchise data:</b>						
Franchise and license fees	<b>32,569</b>	264,205	(88)%	<b>103,396</b>	266,764	(61)%
Royalties and service fees	<b>288,974</b>	251,040	15%	<b>832,223</b>	735,268	13%
<b>Franchise related revenue</b>	<b>321,543</b>	515,245	(38)%	<b>935,619</b>	1,002,032	(7)%
On-going operating costs	<b>(394,670)</b>	(391,589)	(1)%	<b>(1,147,573)</b>	(1,166,262)	2%
Broker fees	-	(84,551)	100%	<b>(34,445)</b>	(84,551)	59%
Impairment of notes receivable	<b>(44,577)</b>	-	(100)%	<b>(44,577)</b>	-	(100)%
Interest expense	<b>(8,220)</b>	(8,215)	0%	<b>(24,660)</b>	(24,660)	0%
<b>Total operating costs</b>	<b>(447,467)</b>	(484,355)	8%	<b>(1,251,255)</b>	(1,275,473)	(2)%
<b>Operating income (loss)<sup>(2)</sup></b>	<b>74,409</b>	146,438	(49)%	<b>412,744</b>	(116,015)	456%
<b>Net income (loss)</b>	<b>62,791</b>	(214,588)	129%	<b>133,360</b>	(503,184)	127%
<b>Income (loss) per share</b>	<b>0.00</b>	(0.01)	129%	<b>0.00</b>	(0.02)	127%
<b>System sales (USD)</b>	<b>5,362,658</b>	4,337,484	24%	<b>15,216,644</b>	12,767,211	19%
<b>Total Revenue</b>	<b>1,568,892</b>	1,463,870	7%	<b>4,603,816</b>	3,444,157	34%

- (1) The Miami operations are excluded in the three and nine-months ended September 30, 2013 results, as the Miami business was jointly operated by Redishred and one of the Company's franchise locations. The Company commenced operations of the Miami location directly on January 1, 2014.
- (2) Operating income (loss) excludes amortization of intangible assets and deferred financing charges as well as foreign exchange gain or loss.

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.



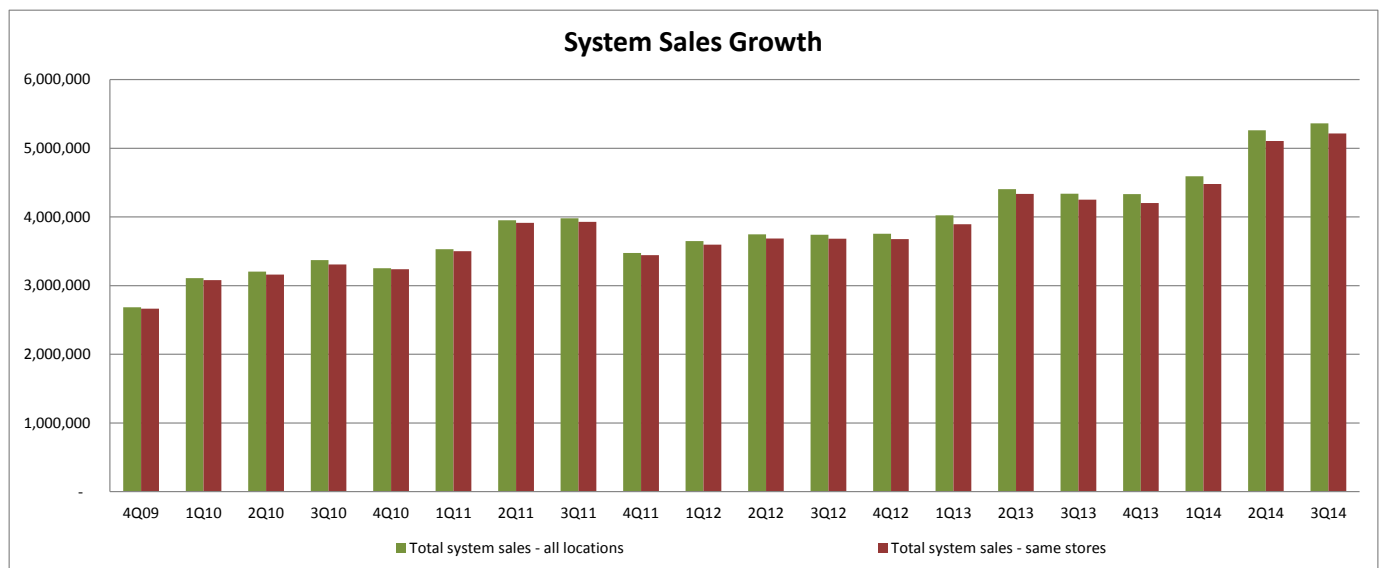
**Franchising & Licensing**

**System Sales**

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

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
Total world-wide operating locations at period end	<b>34</b>	29	17%	<b>34</b>	29	17%
Territories – United States	<b>117.4</b>	104.1	13%	<b>117.4</b>	104.1	13%
Total system sales (USD)	<b>\$ 5,362,658</b>	\$ 4,337,484	24%	<b>\$ 15,216,644</b>	\$ 12,767,211	19%
Total system sales (CDN)	<b>\$ 5,864,067</b>	\$ 4,506,646	30%	<b>\$ 16,692,702</b>	\$ 13,035,650	28%

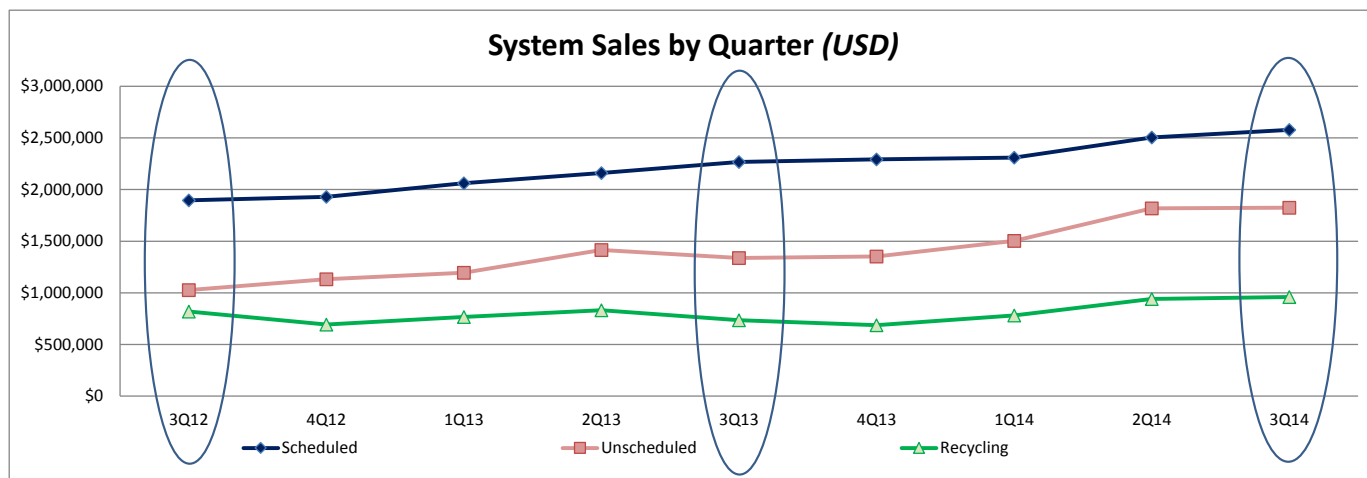
The following chart illustrates system sales growth by quarter since the fourth quarter of 2009.



**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

*System Sales Quarter Over Quarter:*

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



Service sales:

Service related system sales, which include scheduled and unscheduled sales, were US\$4,403,420 for the three months ended September 30, 2014, growing by US\$800,297 or 22% over the same comparative period in 2013.

	3 months ended September 30			9 months ended September 30		
	2014	2013	%Ch	2014	2013	%Ch
	\$	\$		\$	\$	
Service sales (USD)	<b>4,403,420</b>	3,603,123	22%	<b>12,537,170</b>	10,434,992	20%
Same store service sales (USD)	<b>4,283,756</b>	3,603,123	19%	<b>12,188,713</b>	10,434,992	17%

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 first three quarters of 2014 versus 2013. During the three months ended September 30, 2014, scheduled sales reached a record quarterly high of US\$2,578,929.

	3 months ended September 30			9 months ended September 30		
	2014	2013	%Ch	2014	2013	%Ch
	\$	\$		\$	\$	
Scheduled service sales (USD)	<b>2,578,929</b>	2,266,590	14%	<b>7,392,410</b>	6,488,517	14%
Same store scheduled service sales (USD)	<b>2,559,128</b>	2,266,590	13%	<b>7,313,522</b>	6,488,517	13%

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. During the three months ended September 30, 2014, unscheduled sales were US\$1,824,491, growing 37% over the same period in 2013.

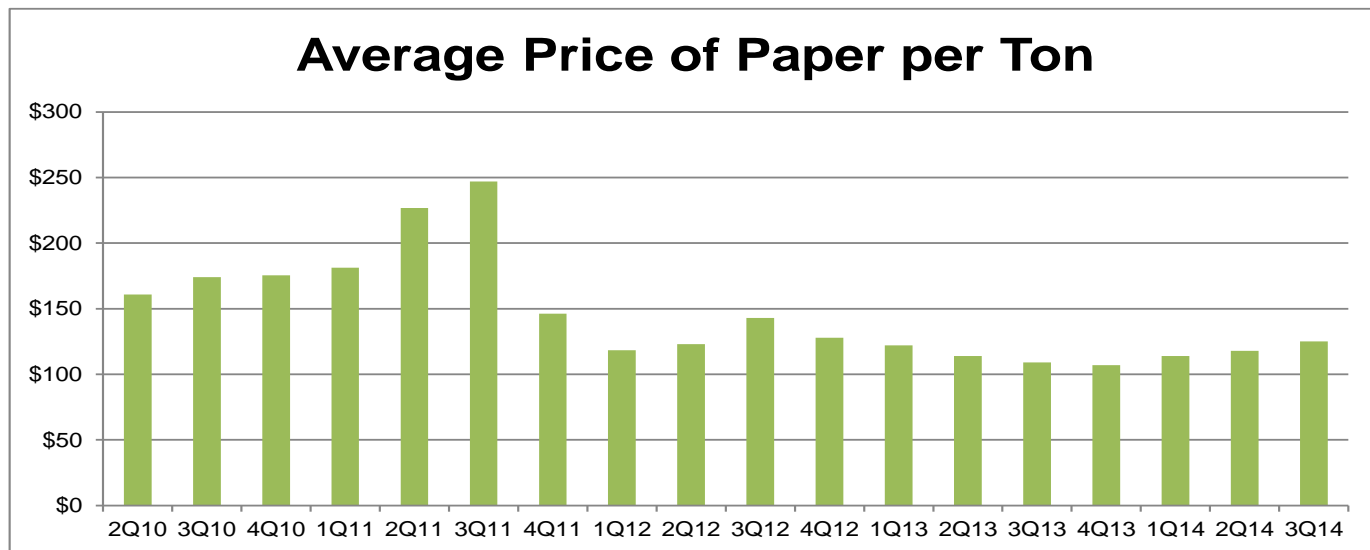
	3 months ended September 30			9 months ended September 30		
	2014	2013	%Ch	2014	2013	% Ch
	\$	\$		\$	\$	
Unscheduled service sales (USD)	<b>1,824,491</b>	1,336,533	37%	<b>5,144,761</b>	3,946,475	30%
Same store unscheduled service sales (USD)	<b>1,724,628</b>	1,336,533	29%	<b>4,875,191</b>	3,946,475	24%

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.

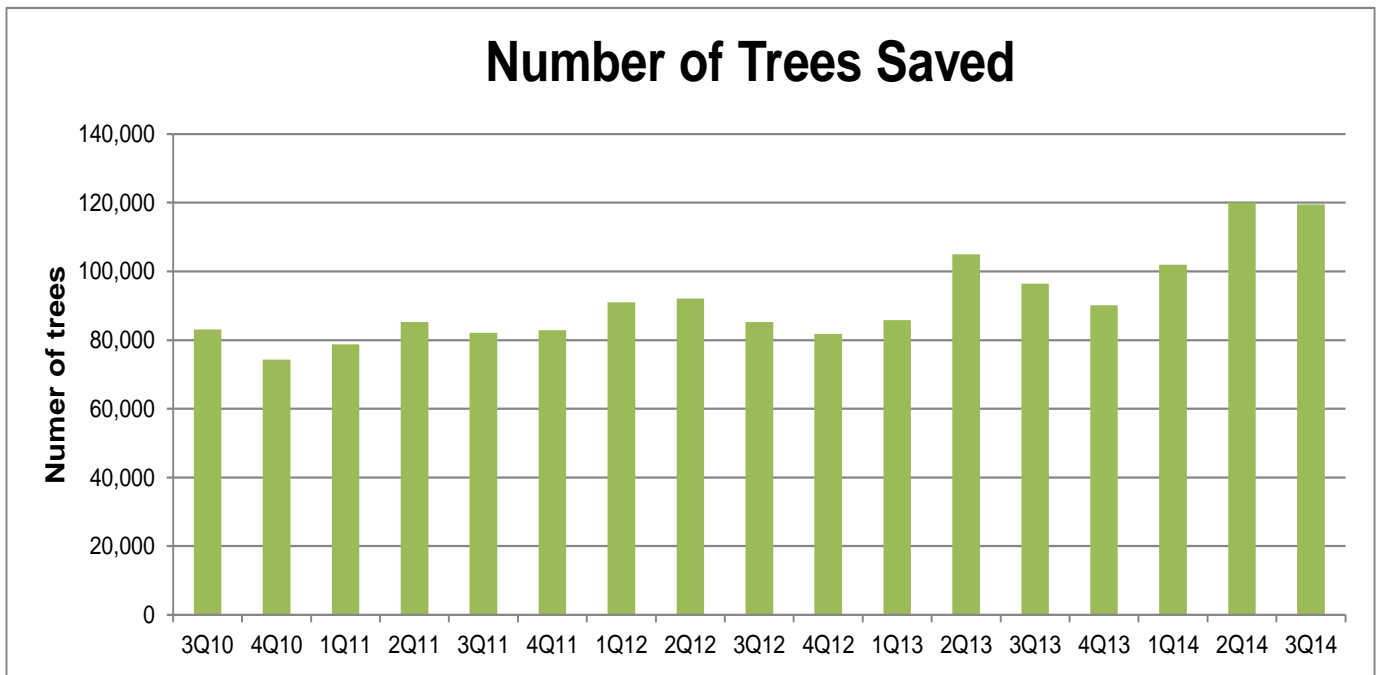
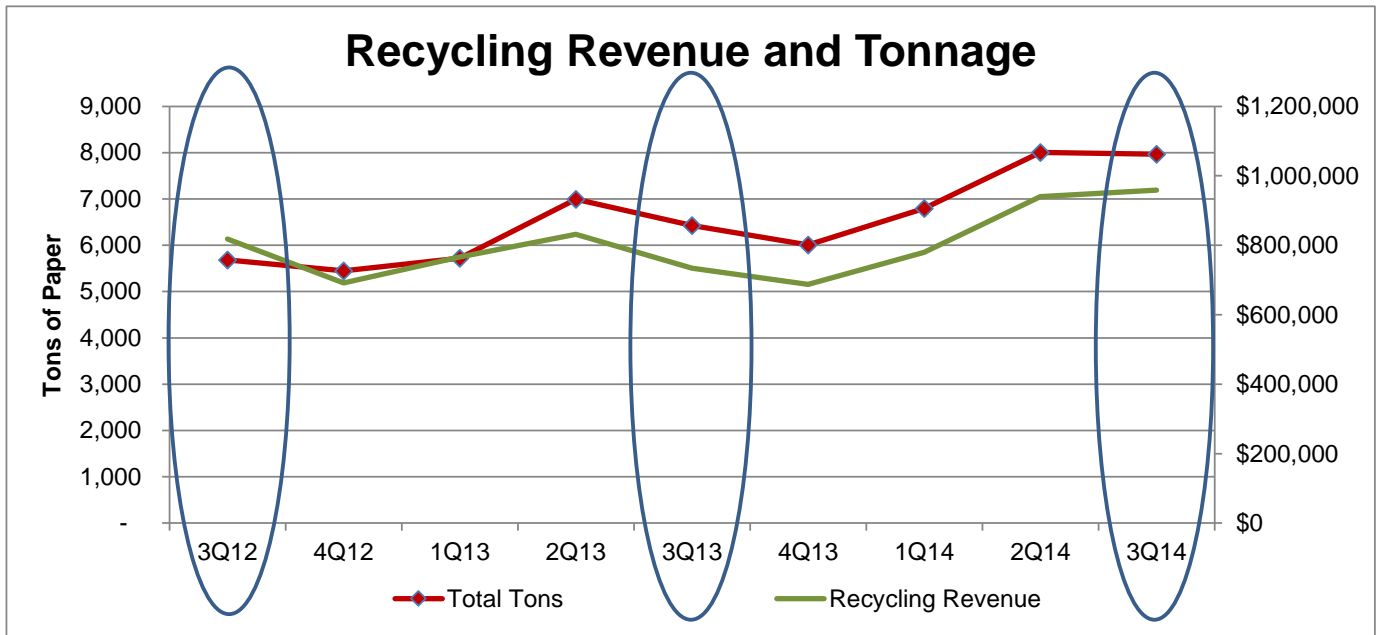
	3 months ended September 30			9 months ended September 30		
	2014	2013	%Ch	2014	2013	%Ch
	\$	\$		\$	\$	
Recycling sales (USD)	<b>959,238</b>	734,361	31%	<b>2,679,473</b>	2,332,219	15%
Same store recycling sales (USD)	<b>930,989</b>	734,361	27%	<b>2,611,925</b>	2,332,219	12%

Historical Pricing Trends:



During the third quarter of 2014, the system shred and recycled 24% more paper than during the third quarter of 2013. The Proshred system shred and recycled 8,000 tons of paper during the third quarter of 2014, and 22,000 tons for the nine months ended September 30, 2014. During the nine months ended September 30, 2014, the Proshred system saved 341,000 trees<sup>(1)</sup> (during the nine months ended September 30, 2013 – 285,000). During the third quarter of 2014, the average price of paper in the Proshred system was \$125 per ton, versus \$109 in the third quarter of 2013, which represents a 15% increase.

(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.

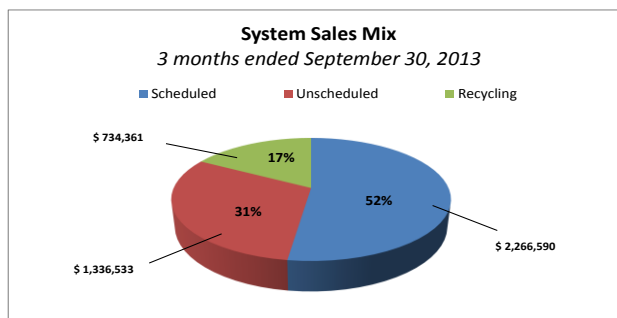
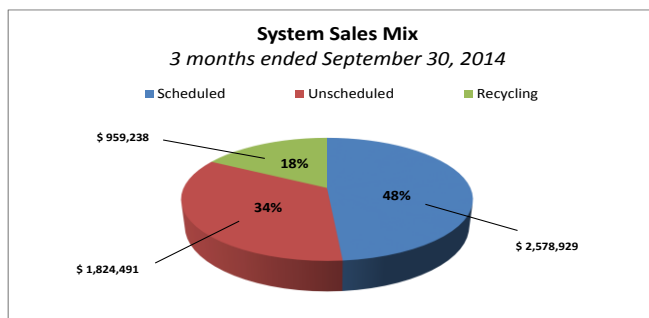


New location data did not have a material impact on the above charts therefore same store data was not presented.

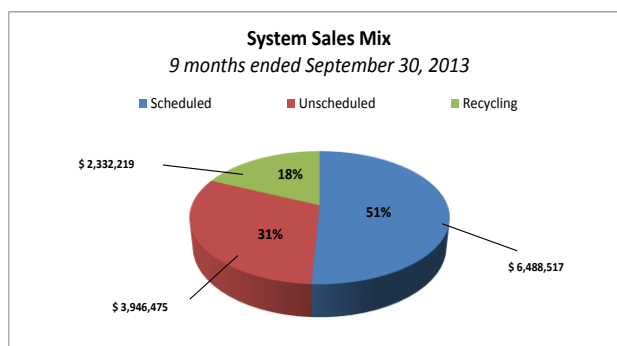
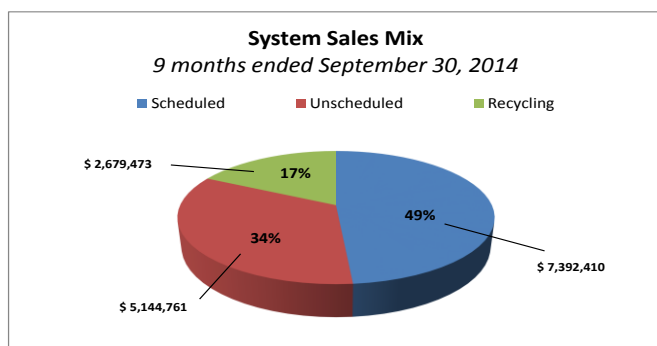
**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

Mix of business:

Scheduled sales accounted for 48% of total sales for the quarter ended September 30, 2014 (September 30, 2013 – 52%). Unscheduled sales accounted for 34% of total sales for the three months ended September 30, 2014 (September 30, 2013 – 31%). Recycling sales accounted for 18% of total sales for the quarter ended September 30, 2014 (September 30, 2013 – 17%).



Scheduled sales accounted for 49% of total sales for the nine months ended September 30, 2014 (September 30, 2013 – 51%). Unscheduled sales accounted for 34% of total sales for the nine months ended September 30, 2014 (September 30, 2013 – 31%). Recycling sales accounted for 17% of total sales for the nine months ended September 30, 2014 (September 30, 2013 – 18%).



**Total Franchising Revenue**

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	% Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Franchise and license fees	<b>32,569</b>	264,205	(88)%	<b>103,396</b>	266,764	(61)%
Royalty and service fees	<b>288,974</b>	251,040	15%	<b>832,223</b>	735,268	13%
Total franchise and license revenue	<b>321,543</b>	515,245	(38)%	<b>935,619</b>	1,002,032	(7)%

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 nine months ended September 30, 2014 increased by 13% over the same period in 2013 due to increased system sales, including scheduled and unscheduled system sales (refer to 'System Sales').

The Company earns all franchise and license related revenues in US dollars, which are translated at the average exchange rate for the period. For the three months ended September 30, 2014, franchise and license revenue denominated in US dollars was US\$294,050. For the nine months ended September 30, 2014, total franchise and license revenue denominated in US dollars was US\$855,620.

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Consolidated Operating Expenses**

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Salaries	<b>182,879</b>	195,691	7%	<b>563,025</b>	592,364	5%
General, administrative and marketing	<b>211,791</b>	195,898	8%	<b>584,547</b>	573,898	(2)%
Broker fees	<b>–</b>	84,551	100%	<b>34,446</b>	84,551	59%
Loss on note receivable	<b>44,577</b>	–	(100)%	<b>44,577</b>	–	(100)%
Interest expense	<b>8,220</b>	8,215	0%	<b>24,660</b>	24,660	0%
<b>Total operating expenses<sup>(1)</sup></b>	<b>447,467</b>	484,355	8%	<b>1,251,255</b>	1,275,473	2%

(1) Total operating expenses does not include amortization of deferred financing charges and intangible assets as well as foreign exchange gain or loss as presented in note 11 of the Company's financial statements. These expense items are presented separately below.

Operating expenses for the three months ended September 30, 2014 include expenses to support 27 Proshred franchise and corporate locations in operation, training and initial support for pending locations, and the costs to develop new markets by way of franchising, licensing and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. General, administrative and marketing costs increased during the third quarter of 2014 as a result of increased professional fees. The loss on note receivable relates to the resale of an existing franchise location. The broker fee relates to the Southern New Jersey franchisee awarded in January of 2014. Interest expense includes interest on the convertible debentures issued on December 31, 2012. 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. For the nine months ended September 30, 2014, amortization of intangibles related to the franchise and license operations increased over the prior period due to the reversal of previously recorded impairment of intangible assets of \$431,180 at December 31, 2013. Amortization is as follows:

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Amortization – intangible assets	<b>135,083</b>	111,430	21%	<b>406,306</b>	331,416	23%

**Corporate Operations**

The Company operates six shredding locations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami. These locations represent the Company's corporately owned locations. During the nine months ended September 30, 2014, the corporate location revenues grew by 52% over the same comparative prior year period. The Company has also increased EBITDA by 92% over the nine months ended September 30, 2013.

Same store corporate store results are indicators of performance of corporate stores that have been in the system for equivalent periods in 2014 and 2013. Same store corporate results include the operations of Syracuse, Albany, Milwaukee and New York City. During the three months ended September 30, 2014, the same store corporate location revenue grew by 10% which led to an increase in EBITDA of 7%. During the nine months ended September 30, 2014, the same store corporate location revenue grew by 10% and EBITDA increased by 32%.

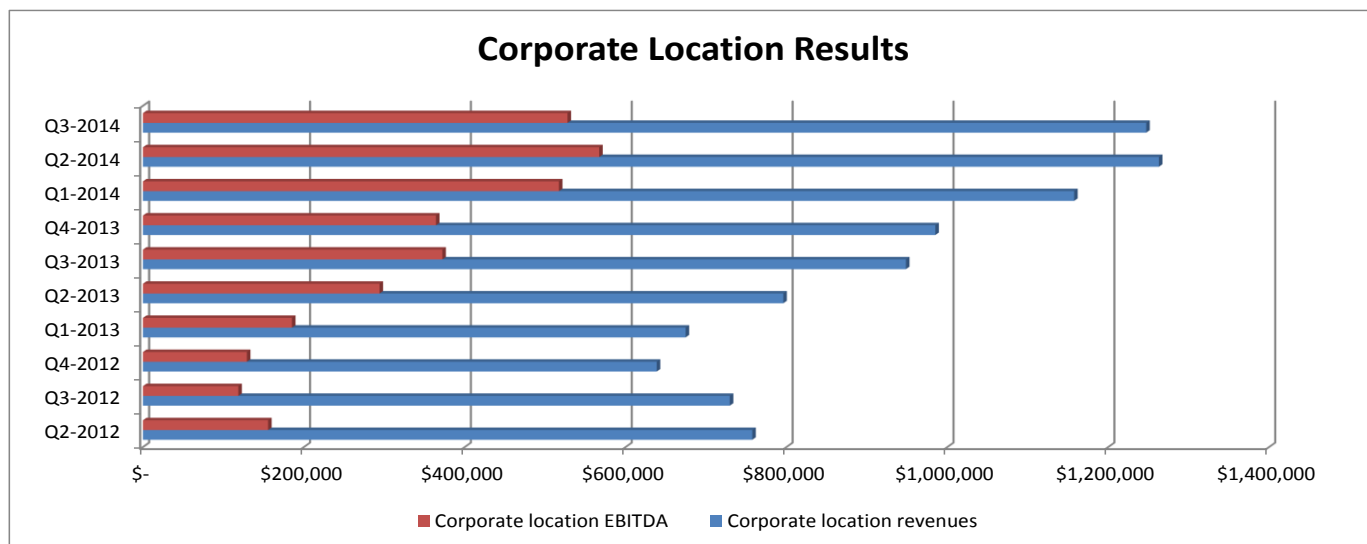
**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

During the nine months ended September 30, 2013, the Miami business was jointly operated by Redishred and one of the Company's franchise locations. The Miami results for the three and nine months ended September 30, 2013 are excluded from the below.

For the 3 months ended September 30,	<i>All corporate locations</i>				<i>Same store corporate locations</i>			
	<b>2014</b>	% of revenue	<b>2013</b>	% of revenue	<b>2014</b>	% of revenue	<b>2013</b>	% of revenue
	<b>\$</b>		<b>\$</b>		<b>\$</b>		<b>\$</b>	
Revenue:								
Shredding service	<b>1,032,669</b>	83%	774,454	83%	<b>707,400</b>	84%	636,176	83%
Recycling	<b>214,680</b>	17%	162,580	17%	<b>130,539</b>	16%	128,894	17%
Total revenue	<b>1,247,349</b>	100%	937,034	100%	<b>837,939</b>	100%	765,070	100%
Operating costs	<b>719,481</b>	58%	576,519	62%	<b>504,264</b>	60%	452,392	59%
EBITDA	<b>527,868</b>	42%	360,515	38%	<b>333,675</b>	40%	312,678	41%

For the 9 months ended September 30,	<i>All corporate locations</i>				<i>Same store corporate locations</i>			
	<b>2014</b>	% of revenue	<b>2013</b>	% of revenue	<b>2014</b>	% of revenue	<b>2013</b>	% of revenue
	<b>\$</b>		<b>\$</b>		<b>\$</b>		<b>\$</b>	
Revenue:								
Shredding service	<b>3,020,144</b>	82%	1,972,759	81%	<b>2,070,244</b>	84%	1,834,481	82%
Recycling	<b>648,053</b>	18%	435,121	19%	<b>391,300</b>	16%	401,436	18%
Total revenue	<b>3,668,197</b>	100%	2,407,880	100%	<b>2,461,544</b>	100%	2,235,917	100%
Operating costs	<b>2,055,957</b>	56%	1,567,861	65%	<b>1,415,919</b>	58%	1,443,859	65%
EBITDA	<b>1,612,240</b>	44%	840,019	35%	<b>1,045,625</b>	42%	792,058	35%

Shredding service and recycling revenue are generated in US dollars, which are translated at the average exchange rate for the period. For the three months ended September 30, 2014, shredding service and recycling revenue, denominated in US dollars were US\$1,140,693. For the nine months ended September 30, 2014, shredding service and recycling revenue denominated in US dollars were US\$3,354,546.



## Depreciation and Amortization

Depreciation and amortization relates to the assets purchased in relation to the corporate locations.

Depreciation and amortization are as follows:

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Depreciation and amortization – equipment	<b>119,093</b>	97,969	(22)%	<b>286,683</b>	220,488	(30)%
Depreciation and amortization – intangibles	<b>44,918</b>	42,466	(6)%	<b>206,376</b>	161,579	(28)%
Depreciation and amortization	<b>164,011</b>	140,435	(17)%	<b>493,059</b>	382,067	(29)%

The increase in depreciation and amortization related to the corporate locations is due to the purchase of the Charlotte tangible and intangible assets on July 31, 2013.

## Operating income (loss)

For the three months ended September 30, 2014, the Company posted an operating income of \$74,409. During the nine months ended September 30, 2014, the Company posted an operating income of \$412,744. During the first three quarters of 2014 the Company reduced its corporate store costs and grew its corporate store sales. In addition, the Company acquired the Charlotte location on July 31, 2013 and began operating the Miami location directly on January 1, 2014, both of which have resulted in incremental positive income.

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Operating income (loss)	<b>74,409</b>	146,438	(49)%	<b>412,744</b>	(116,015)	456%

## Foreign exchange

Foreign exchange gain (loss) was as follows:

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Foreign exchange gain (loss)	<b>113,589</b>	(96,602)	218%	<b>250,557</b>	182,316	37%

All of Redishred's revenues are denominated in US dollars; this dependency on US dollar revenue 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. . If there were a foreign exchange rate variation of -5% (depreciation of the USD) or a +5% (appreciation of the USD) against the CAD, from an average rate of USD\$1.00 = CAD\$1.0935, the total impact to net income would be a decrease/increase of approximately \$94,000.



### Interest income and expense

Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees. Interest expense relates to the use of the Company's line of credit facility which bears interest at 10% per annum, interest on the truck loan agreements, which bear interest at 6.502% to 8.14% per annum and interest on the convertible debentures at 7.5%. Interest expense also relates to the loan agreements for the purchase of the Proshred Charlotte franchise. The loans bear interest at 9% and 10% per annum. Interest expense increased in 2014 as a result of the interest incurred on the loans used to purchase the Charlotte location on July 31, 2013.

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Interest income	<b>2,627</b>	1,844	42%	<b>7,346</b>	5,793	27%
Interest expense	<b>(216,662)</b>	(176,998)	(22)%	<b>(621,837)</b>	(513,155)	(21)%

### Income Tax

On March 17, 2008 the Company booked a future tax liability relating to the purchase of PSC and Proshred Franchising Corp. ("PFC"). During the nine months ended September 30, 2014, the Company booked a tax recovery of \$40,265. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC.

### Net income (loss)

	<i>3 months ended September 30</i>			<i>9 months ended September 30</i>		
	<b>2014</b>	2013	%Ch	<b>2014</b>	2013	%Ch
	\$	\$		\$	\$	
Net income (loss)	<b>62,791</b>	(214,588)	129%	<b>133,360</b>	(503,184)	127%
Add back: foreign exchange gain (loss)	<b>113,589</b>	(96,602)	218%	<b>250,557</b>	182,316	37%
Revised net (loss)	<b>(50,798)</b>	(117,986)	57%	<b>(117,193)</b>	(685,500)	83%

The Company posted a net income of \$62,971, during the three months ended September 30, 2014, which was a 129% increase over the prior comparative period. Removing the foreign exchange gain or loss from net income in both periods resulted in an improvement of 57% in net loss. During the nine months ended September 30, 2014, net loss improved by 83%, after the foreign exchange adjustment. The improvement has been a result of the net income produced by the corporate locations, which has been accretive to the business overall.

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

**Selected Quarterly Results**

<i>(in CDN except where noted)</i>	2014			2013			2012	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
<b>System sales (USD)</b>	<b>5,362,658</b>	<b>5,262,823</b>	<b>4,591,163</b>	<b>4,332,480</b>	<b>4,337,484</b>	<b>4,406,210</b>	<b>4,023,517</b>	<b>3,754,629</b>
<b>Total Company revenue</b>	<b>1,568,892</b>	<b>1,549,344</b>	<b>1,485,580</b>	<b>1,224,926</b>	<b>1,463,870</b>	<b>1,060,860</b>	<b>919,427</b>	<b>926,634</b>
Franchise and license fees	32,569	1,038	69,789	4,047	264,205	1,394	1,165	70,595
Royalty and service fees	288,974	285,192	258,057	235,721	251,040	258,469	225,759	210,420
<b>Total revenue from franchising and licensing</b>	<b>321,543</b>	<b>286,230</b>	<b>327,846</b>	<b>239,768</b>	<b>515,245</b>	<b>259,863</b>	<b>226,924</b>	<b>281,015</b>
On-going operating costs	(394,670)	(379,201)	(373,702)	(419,413)	(391,589)	(394,903)	(379,770)	(441,772)
One-time costs	-	-	-	(84,213)	-	-	-	(22,222)
Broker fees	-	177	(34,622)	(570)	(84,551)	-	-	(24,139)
Interest expense	(8,220)	(8,220)	(8,220)	(8,950)	(8,215)	(8,220)	(8,225)	-
Impairment of note receivable	(44,577)	-	-	(14,453)	-	-	-	-
Total operating expenses	(447,467)	(387,244)	(416,544)	(527,599)	(484,355)	(403,123)	(387,995)	(488,133)
<b>Total operating (loss) income – franchising and licensing</b>	<b>(125,924)</b>	<b>(101,014)</b>	<b>(88,698)</b>	<b>(287,831)</b>	<b>30,890</b>	<b>(143,260)</b>	<b>(161,071)</b>	<b>(207,118)</b>
Corporate locations revenue <sup>(1)</sup>	1,247,349	1,263,114	1,157,734	980,081	937,034	789,584	681,262	649,944
Corporate locations operating costs <sup>(1)</sup>	(719,481)	(695,883)	(640,593)	(620,107)	(576,519)	(496,776)	(494,566)	(509,825)
<b>Corporate locations adjusted EBITDA<sup>(1)</sup></b>	<b>527,868</b>	<b>567,231</b>	<b>517,141</b>	<b>359,974</b>	<b>360,515</b>	<b>292,808</b>	<b>186,696</b>	<b>140,119</b>
Depreciation – tangible assets <sup>(1)</sup>	(119,093)	(72,844)	(94,746)	(89,647)	(76,184)	(50,468)	(67,446)	(55,038)
Interest expense <sup>(1)</sup>	(208,442)	(186,643)	(202,092)	(190,047)	(168,783)	(160,491)	(159,221)	(165,092)
<b>Total operating income (loss) – corporate<sup>(1)</sup></b>	<b>200,333</b>	<b>307,744</b>	<b>220,303</b>	<b>80,280</b>	<b>115,548</b>	<b>81,849</b>	<b>(39,971)</b>	<b>(80,011)</b>
<b>Total operating income (loss) – excluding one-time costs – Company</b>	<b>74,409</b>	<b>206,730</b>	<b>131,605</b>	<b>(123,338)</b>	<b>146,438</b>	<b>(61,411)</b>	<b>(201,042)</b>	<b>(264,907)</b>
Income (loss) before taxes from continuing operations	49,438	(83,471)	127,128	465,654	(214,397)	(80,840)	(232,685)	(1,127,761)
Income (loss) attributable to owners of the parent	62,791	(70,084)	140,653	462,719	(214,588)	(68,280)	(220,316)	(969,287)
Income (loss) excluding one-time items	62,791	(70,084)	140,653	(129,749)	(214,588)	(68,280)	(220,316)	(131,162)
Basic and diluted net income (loss) per share	.00	(.00)	.00	.02	(.01)	(.00)	(.01)	(.04)

(1) The Miami operations are excluded in the 2013 selected quarterly results, as the Miami business was jointly operated by Redishred and one of the Company's franchise locations. The Company commenced operations of the Miami location directly on January 1, 2014.

### 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 2<sup>nd</sup> and 3<sup>rd</sup> quarters of every year and lower system sales and related royalty fees and corporate revenues in the 1<sup>st</sup> and 4<sup>th</sup> quarters of every year.

### Balance Sheet

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
	\$	\$
Working capital	(176,180)	(322,594)
Total assets	9,267,805	8,983,915
Total liabilities	9,747,180	9,557,695

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 \$50,000 available for use on its line of credit as of September 30, 2014.

#### *Financial Strategy*

The Company continues to maintain a cost reduction strategy, which includes the reduction of costs throughout its corporate locations. The Company has concurrently implemented a strong sales focused approach and has dedicated sales leads in each corporate location with an aim to grow revenues and cash flows. As of January 1, 2014, the Company began operating the Miami location directly, which has further driven increased sales and cash flows. The Company also continues to award new franchise locations, which generate between \$35,000 and \$100,000 in franchise fees per new franchise as well as adds recurring royalty revenues.

At September 30, 2014, current liabilities of \$1,554,640 (December 31, 2013 - \$1,430,600) 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.

**REDISHRED CAPITAL CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

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The Company has the following lease commitments:

	\$
Less than 1 year	198,940
Between 1 and 5 years	<u>351,293</u>
Total	<u>550,233</u>

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

### **Equipment**

<i>As at,</i>	<u>September 30, 2014</u>	<u>December 31, 2013</u>	<u>% Ch</u>
	\$	\$	
Net book value	<b>2,571,000</b>	2,195,083	17%

During the three and nine months ended September 30, 2014, the Company purchased two shredding vehicles, bins and shredding containers in the amount of \$581,370, which resulted in an increase in the total net book value.

### **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. At September 30, 2014, there is no accounts receivable balance due from this franchise (December 31, 2013 - \$727). During the nine months ended September 30, 2014, the Company earned royalty and service fees amounting to \$72,036 (2013 - \$63,623) from this franchise.

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

Included in selling, general and administrative expenses for the nine months ended September 30, 2014 are insurance premium amounts of \$14,753 (September 30, 2013 - \$13,310) paid to an insurance brokerage firm, managed by a Director of the Company.

On December 31, 2012, the Company obtained equity and debt funding, directly or indirectly, from certain members of the Company's Board of Director's. The Company issued \$375,000 convertible, unsecured subordinated, debentures. 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 certain members of the Company's Board of Directors and their affiliates:

- (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;
- (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;
- (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 bears interest at 9% per annum;
- (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 bears interest at 9% per annum and the value of the loan on September 30, 2014 is CAD\$42,758 (US\$38,177); and
- (e) A 4 year loan and security agreement in the amount of US\$500,000, repayable with monthly blended payments of principal and interest of US\$12,681 maturing August 5, 2017. The loan bears interest at 10% per annum and is secured by four shredding vehicles and two non-shredding vehicles with a carrying value of CAD\$485,746 at September 30, 2014. The value of the loan on September 30, 2014 is CAD\$429,635 (US\$383,603).

## **Risks and Uncertainties**

Please refer to the Redishred 2013 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, 2013, 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 2013 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 September 30, 2014, there were 28,884,658 issued and outstanding common shares. At September 30, 2014 there were 1,192,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. During the nine months ended September 30, 2014, there have been 280,000 stock options that expired (for the nine months ended September 30, 2013 – 158,750). There have been 10,000 stock options granted during the nine months ended September 30, 2014 (for the nine months ended September 30, 2013 – 50,000). The net stock compensation charge, for the nine months ended September 30, 2014, after adjusting for stock option forfeitures, amounted to \$126 (for the nine months ended September 30, 2013 – \$190). There are 1,250,000 common shares issuable on conversion of the debentures.

### **Subsequent events**

On November 27, 2014 the Company made a principal payment of \$250,000 against its line of credit. The Company's line of credit remains available at the full amount of \$6.03 million.

Dated: November 27, 2014

