

RediShred Capital Corp.

Consolidated Interim Financial Statements
June 30, 2015 and 2014

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

August 27, 2015

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated interim financial statements for the period ended June 30, 2015.

RediShred Capital Corp.

Consolidated Statements of Financial Position

As at June 30, 2015 and December 31, 2014

(expressed in Canadian dollars)

	June 30, 2015 \$	December 31, 2014 \$
Assets		
Current assets		
Cash	544,333	366,211
Cash attributable to the Advertising Fund (note 3)	93,254	80,102
Trade receivables	728,410	588,018
Prepaid expenses	109,848	80,841
Notes receivable from franchisees	80,464	84,230
	<u>1,556,309</u>	<u>1,199,402</u>
Non-current assets		
Notes receivable from franchisees	138,533	159,841
Equipment (note 4)	2,877,503	2,594,476
Intangible assets (note 5)	3,251,840	3,504,707
Goodwill (notes 6)	1,709,175	1,591,079
	<u>7,977,051</u>	<u>7,850,103</u>
Total assets	<u>9,533,360</u>	<u>9,049,505</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	584,840	731,356
Current portion of notes payable	49,286	102,452
Current portion of long-term debt (note 7)	798,629	761,501
	<u>1,432,755</u>	<u>1,595,309</u>
Non-current liabilities		
Long-term debt (note 7)	7,373,103	7,323,762
Deferred tax liability	167,929	154,076
Convertible debenture (note 9)	345,162	342,645
	<u>7,886,194</u>	<u>7,820,483</u>
Total liabilities	<u>9,318,949</u>	<u>9,415,792</u>
Shareholders' Equity		
Capital Stock (note 8)	8,585,808	8,585,808
Contributed surplus	426,480	375,387
Accumulated other comprehensive loss	(284,555)	(172,610)
Deficit	(8,513,322)	(9,154,872)
	<u>214,411</u>	<u>(366,287)</u>
Total liabilities and shareholders' equity	<u>9,533,360</u>	<u>9,049,505</u>
Commitments (note 13)		

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Comprehensive Income

For the three and six months ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenue (note 10)	1,824,583	1,549,344	3,597,534	3,034,924
Corporate operating locations expenses (note 11)	(764,529)	(695,882)	(1,563,056)	(1,336,478)
Depreciation – equipment	(119,418)	(72,844)	(240,196)	(167,590)
Selling, general and administrative expenses (note 12)	(453,747)	(380,866)	(859,026)	(791,032)
Operating income	486,889	399,752	935,256	739,824
Amortization – intangible assets	(222,498)	(222,621)	(448,310)	(432,679)
Foreign exchange (loss) gain	(68,131)	(68,311)	493,533	136,968
(Loss) gain on sale of assets (note 4)	(11)	–	3,085	–
Interest expense	(179,860)	(194,861)	(368,729)	(405,175)
Interest income	1,968	2,570	4,250	4,719
Income (loss) before income taxes	18,357	(83,471)	619,085	43,657
Income tax recovery	17,353	13,387	22,465	26,912
Net income (loss) for the period	35,710	(70,084)	641,550	70,569
Foreign currency translation (loss)	(5,473)	(815)	(111,945)	(56,382)
Comprehensive income (loss) for the period	30,237	(70,899)	529,605	14,187
Net income (loss) per share				
Basic and diluted	0.00	(0.00)	0.02	0.00
Weighted average number of commons shares outstanding – basic and diluted	28,884,658	28,884,658	28,884,658	28,884,658
Weighted average number of commons shares outstanding – diluted	28,906,754	28,884,658	28,906,754	28,884,658

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	Capital stock and warrants \$ (note 8)	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity/deficiency \$
Balance – January 1, 2014	8,585,808	372,479	(134,400)	(9,397,667)	(573,780)
Net income for the period	–	–	–	242,795	242,795
Other comprehensive loss					
Foreign currency translation loss	–	–	(38,210)	–	(38,210)
Comprehensive income for the period	–	–	–	–	204,585
Stock-based compensation (note 8)	–	2,908	–	–	2,908
Balance – December 31, 2014	<u>8,585,808</u>	<u>375,387</u>	<u>(172,610)</u>	<u>(9,154,872)</u>	<u>(366,287)</u>
Net income for the period	–	–	–	641,550	641,550
Other comprehensive loss					
Foreign currency translation loss	–	–	(111,945)	–	(111,945)
Comprehensive income for the period	–	–	–	–	529,605
Stock-based compensation (note 8)	–	51,093	–	–	51,093
Balance – June 30, 2015	<u>8,585,808</u>	<u>426,480</u>	<u>(284,555)</u>	<u>(8,513,322)</u>	<u>214,411</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.
Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2015 and 2014
(expresses in Canadian dollars)

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
Cash provided by (used in)	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	35,710	(70,084)	641,550	70,569
Items not affecting cash				
Amortization of equipment and intangible assets	343,094	297,307	692,190	603,953
Stock-based compensation	51,032	45	51,091	68
Unrealized foreign currency (gain) loss	(25,961)	73,165	(626,848)	(185,090)
Loss (gain) on sale of assets	11	–	(3,085)	–
Income tax recovery	(17,353)	(13,387)	(22,465)	(26,912)
	<u>386,533</u>	<u>287,046</u>	<u>732,433</u>	<u>462,588</u>
Net change in non-cash working capital balances				
Increase in trade receivables	(32,720)	(31,646)	(140,393)	(125,652)
Decrease (increase) in prepaid expenses	44,233	15,180	(29,004)	(3,077)
Decrease in notes receivable from franchisees	24,872	25,766	25,074	31,842
Decrease in deferred revenue	–	–	–	(57,966)
Decrease in accounts payable and accrued liabilities	(282,508)	(125,220)	(146,516)	(13,381)
	<u>(282,508)</u>	<u>(125,220)</u>	<u>(146,516)</u>	<u>(13,381)</u>
Net cash provided by operations	140,410	171,126	441,594	294,354
Financing activities				
Repayment of long-term debt	(2,175)	(92,180)	(117,081)	(183,260)
Borrowings (repayment) on line of credit	179,794	–	(45,205)	–
Repayment of notes payable	(30,644)	(28,671)	(53,166)	(62,067)
	<u>146,975</u>	<u>(120,851)</u>	<u>(215,452)</u>	<u>(245,327)</u>
Investing activities				
Cash held by advertising fund	(23,983)	(22,422)	(13,152)	(25,408)
Purchase of capital assets	(26,366)	(26,233)	(55,755)	(33,896)
	<u>(50,349)</u>	<u>(48,655)</u>	<u>(68,907)</u>	<u>(59,304)</u>
Effect of foreign exchange rate changes on cash	<u>(2,993)</u>	<u>(4,193)</u>	<u>20,886</u>	<u>7,627</u>
Net change in cash for the period	<u>234,044</u>	<u>(2,573)</u>	<u>178,121</u>	<u>(2,650)</u>
Cash – Beginning of period	<u>310,289</u>	<u>348,921</u>	<u>366,212</u>	<u>348,998</u>
Cash – End of period	<u>544,333</u>	<u>346,348</u>	<u>544,333</u>	<u>346,348</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

RediShred Capital Corp.

Notes to the Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

1 Corporate information and nature of operations

Redishred Capital Corp. (“Redishred” or the “Company”) was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred’s common shares are listed for trading on the TSX Venture Exchange under the symbol “KUT”. The registered address of the Company is 6559 Mississauga Road, Mississauga, Ontario, L5N 1A6.

Redishred manages and operates the Proshred brand and business platform (“system”) in the United States and internationally (with the exception of Canada). Redishred operates the Proshred system under three business models, (1) franchising in the United States, (2) via direct ownership of shredding trucks and facilities in six locations in the United States and, (3) licensing internationally.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The consolidated financial statements should be read in conjunction with the most recently issued Annual Report of Redishred for the year ended December 31, 2014, which includes information necessary or useful to understanding the Company’s business and financial statement presentation. These interim consolidated financial statements comprise the financial statements of Redishred and its subsidiaries as at June 30, 2015. Together, Redishred and its subsidiaries are referred to as “the Company.”

The Company’s significant accounting policies were presented as Note 3 to the Audited Consolidated Financial Statements for the year ended December 31, 2014 and have been consistently applied in the preparation of these consolidated financial statements. The results reported in these consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. Certain prior period amounts have been reclassified to conform to the current period’s presentation.

These interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention. The interim consolidated financial statements are presented in Canadian dollars, which is Redishred’s presentation currency.

The interim consolidated financial statements of the Company for the three and six months ended June 30, 2015 were authorized for issue in accordance with a resolution of the Directors on August 27, 2015.

3 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, acceptance and use of the Proshred System. Contributions to the Ad Fund are required to be made from both franchised and Company owned and operated locations and are based on a level of sales of each location’s revenue. In accordance with *IAS 18 – Revenue*, the revenue and expenses of the Ad Fund are recorded net in the Company’s statements of comprehensive income because the contributions to the Ad Fund are segregated, designated for a specific purpose, and the Company acts, in substance, as an agent with regard to these contributions. As at June 30, 2015, the cash attributable to the Ad Fund amounted to \$93,254 (2014 - \$80,102).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

4 Equipment

Cost	Computer	Furniture &	Bins &	Shredding	Shredding	Recycling	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -	equipment		
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2014	132,256	66,658	260,050	751,801	1,769,531	–	61,583	3,041,879
Additions	5,198	420	77,481	152,565	382,416	–	–	618,080
Sale of assets	(8,045)	–	–	(50,576)	(84,106)	–	–	(142,727)
Foreign exchange	9,761	4,919	20,872	77,270	174,522	–	4,623	291,967
As at December 31, 2014	139,170	71,997	358,403	931,060	2,242,363	–	66,206	3,809,199
Additions	4,424	740	33,077	85,640	196,378	11,723	–	331,982
Sale of assets	(1,898)	–	–	–	–	–	–	(1,898)
Foreign exchange	5,684	1,250	31,346	50,329	129,464	142	8,602	226,815
As at June 30, 2015	147,380	73,987	422,826	1,067,029	2,568,205	11,865	74,806	4,366,096
Accumulated depreciation	Computer	Furniture &	Bins &	Shredding	Shredding	Recycling	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -	equipment		
	\$	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2014	107,911	58,579	82,997	158,560	404,305	–	34,444	846,796
Depreciation	9,478	5,059	59,557	99,587	228,107	–	8,465	410,253
Sale of assets	–	–	–	(43,043)	(62,749)	–	–	(105,792)
Foreign exchange	8,860	4,399	6,125	11,702	29,838	–	2,542	63,466
As at December 31, 2014	126,249	68,037	148,679	226,806	599,501	–	45,451	1,214,723
Depreciation	3,897	1,790	36,316	50,615	121,913	781	4,282	219,594
Sale of assets	(554)	–	–	–	–	–	–	(554)
Foreign exchange	4,540	710	19,410	3,508	19,088	10	7,566	54,832
As at June 30, 2015	134,132	70,537	204,405	280,929	740,502	791	57,299	1,488,595
Net book value								
As at December 31, 2014	12,921	3,960	209,724	704,254	1,642,862	–	20,755	2,594,476
As at June 30, 2015	13,248	3,450	218,421	786,100	1,827,703	11,074	17,507	2,877,503

During the six months ended June 30, 2015, the Company purchased a shredding vehicle, computers, furniture, shredding containers and a hard-drive crusher. The foreign exchange adjustment is a result of the translation of corporate equipment from US functional currency dollars to Canadian presentation dollars at June 30, 2015 and December 31, 2014. Depreciation related to the corporate stores and the franchising and licensing business is included in the statement of comprehensive income.

The Company has two shredding vehicles held under a finance lease arrangement. As of June 30 2015, the net carrying amount of the related shredding vehicles, included as part of equipment is \$455,357. The finance lease liabilities (refer to note 7) are secured by the related assets.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

5 Intangible assets

Cost	Trademarks and intellectual property					Total
	Franchise agreements	Proshred system	intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2014	2,385,532	978,000	1,672,500	1,008,159	1,886,225	7,930,416
Additions	–	–	–	–	14,713	14,713
Foreign exchange	294,769	–	–	94,080	178,348	567,197
As at December 31, 2014	2,680,301	978,000	1,672,500	1,102,239	2,079,286	8,512,326
Additions	–	–	–	–	–	–
Foreign exchange	191,105	–	–	81,813	154,333	427,251
As at June 30, 2015	2,871,406	978,000	1,672,500	1,184,052	2,233,619	8,939,577

Accumulated amortization	Trademarks and intellectual property					Total
	Franchise agreements	Proshred system	intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2014	1,517,307	570,491	975,627	527,607	280,137	3,871,169
Amortization	215,859	97,800	167,250	163,700	196,148	840,757
Reversal of previous impairment	(27,452)	–	–	–	–	(27,452)
Foreign exchange	225,830	–	–	58,650	38,665	323,145
As at December 31, 2014	1,931,544	668,291	1,142,877	749,957	514,950	5,007,619
Amortization	125,476	48,900	83,613	80,901	110,334	449,224
Foreign exchange	134,610	–	–	56,650	39,634	230,894
As at June 30, 2015	2,191,630	717,191	1,226,490	887,508	664,918	5,687,737

Net book value						
As at December 31, 2014	748,757	309,709	529,623	352,282	1,564,336	3,504,707
As at June 30, 2015	679,776	260,809	446,010	296,544	1,568,701	3,251,840

During the six months ended June 30, 2015 the Company did not purchase any intangible assets. The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at June 30, 2015 and December 31, 2014. Amortization of intangible assets for the period is included in the statement of comprehensive income. The Company's franchise agreements, customer lists and re-acquired franchise rights are attributed to the Company's franchises and corporately owned locations in the US.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

6 Goodwill

The following table presents goodwill as at June 30, 2015 and December 31, 2014:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	\$	\$
Opening balance	1,591,079	1,455,467
Foreign currency translation	118,096	135,612
Closing balance	<u>1,709,175</u>	<u>1,591,079</u>

7 Long-term debt

As at June 30, 2015 and December 31, 2014 long-term debt is comprised of:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	\$	\$
Line of credit (i)	5,717,301	5,769,860
Less: deferred financing charges	(3,684)	(14,722)
Line of credit net of deferred financing charges	5,713,617	5,755,138
Truck loans (ii)	989,631	806,077
Finance lease liability (iii)	385,008	386,855
Term loans (iv)	1,083,476	1,137,193
Total long-term debt	8,171,732	8,085,263
Less: current portion	(798,629)	(761,501)
Total	<u>7,373,103</u>	<u>7,323,762</u>

(i) Line of Credit

The line of credit was entered into on November 27, 2009 with a related party entity (see note 17) for a maximum amount of \$4 million. The line of credit was originally repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum, and secured by a general security agreement over the Company's assets. Deferred financing charges in respect of this facility are charged to expense over the term of the facility. During the year ended December 31, 2011, the line of credit limit was increased to \$5.37 million. During the year ended December 31, 2012, the line of credit was increased to \$6.03 million. The terms of the agreement remained unchanged upon increasing the 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, and Milwaukee in 2010, New York City and Miami in 2012 and for general business purposes. In 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 other terms of the agreement remained unchanged upon extending the facility's term. The total unamortized transactions costs as at September 2013 are amortized over the extended term of four years, ending November 27, 2017. The Company has \$308,517 available for use on its line as of June 30, 2015.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

7 Long-term debt (continued)

(ii) Truck loans

On November 11, 2011, the Company entered into a loan and security agreement in the amount of US\$240,000, repayable with monthly blended payments of principal and interest of US\$5,690 maturing October 3, 2015. The loan bears interest at 8.14% per annum and is secured by two shredding vehicles with a carrying value of CAD\$249,285 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$27,948 (US\$22,377).

On July 5, 2012, the Company entered into a loan and security agreement in the amount of US\$121,128, repayable with monthly blended payments of principal and interest of US\$3,718 maturing July 5, 2015. The loan bears interest at 6.502% per annum and is secured by one shredding vehicle with a carrying value of CAD\$46,825 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$4,619 (US\$3,698).

On August 3, 2012, the Company entered into a loan and security agreement in the amount of US\$125,556, repayable with monthly blended payments of principal and interest of US\$2,545 maturing August 13, 2017. The loan bears interest at 8% per annum and is secured by one shredding vehicle with a carrying value of CAD\$167,380 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$75,673 (US\$60,587).

On January 3, 2013, the Company traded in one of its shredding vehicles for a larger shredding vehicle. The related loan and security agreement entered into on August 8, 2012, in the amount of US\$121,000, was replaced with a new loan and security agreement. The new loan and security agreement for US\$119,906 is repayable with monthly blended payments of principal and interest of US\$2,382 maturing January 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$226,814 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$84,021 (US\$67,271).

On January 31, 2013, the Company entered into a loan and security agreement in the amount of US\$171,516, repayable with monthly blended payments of principal and interest of US\$3,407 maturing February 5, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$229,181 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$123,696 (US\$99,036).

On October 24, 2013, the Company entered into a loan and security agreement in the amount of US\$187,950, repayable with monthly blended payments of principal and interest of US\$3,731 maturing October 24, 2018. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$194,128 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$165,512 (US\$132,516).

On September 16, 2014, the Company entered into a loan and security agreement in the amount of US\$204,000, repayable with monthly blended payments of principal and interest of US\$4,055 maturing September 16, 2019. The loan bears interest at 7% per annum and is secured by one shredding vehicle with a carrying value of CAD\$280,212 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$222,087 (US\$177,812).

On June 23, 2015, the Company entered into a loan and security agreement in the amount of US\$229,039, repayable with monthly blended payments of principal and interest of US\$4,520 maturing June 23, 2020. The loan bears interest at 6.75% per annum and is secured by one shredding vehicle with a carrying value of CAD\$285,445 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$286,070 (US\$229,039).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

7 Long-term debt (continued)

iii) Finance lease liability

On November 15, 2013, the Company entered into a finance lease in the amount of US\$137,035, repayable with monthly blended payments of principal and interest of US\$2,296 with a final payment of \$37,680, maturing December 20, 2018. The loan bears interest at 7.95% per annum and is secured by one shredding vehicle with a carrying value of CAD\$194,673 at June 30, 2015. The balance of the loan on June 30, 2015 is CAD\$136,385 (US\$109,196).

On July 17, 2014, the Company entered into a finance lease in the amount of US\$226,432, repayable with monthly blended payments of principal and interest of US\$3,861 with a final payment of US\$50,610, maturing August 20, 2019. The loan bears interest at 7.621% per annum and is secured by one shredding vehicle with a carrying value of CAD\$260,683 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$248,625 (US\$199,059).

Future minimum finance lease payments at June 30, 2015, stated in Canadian dollars, were as follows:

	Minimum lease payments due					
	2015	2016	2017	2018	2019	Total
	\$	\$	\$	\$	\$	\$
Lease payments	46,147	92,294	92,294	136,488	96,976	464,199
Finance charges	(14,389)	(24,973)	(19,570)	(16,296)	(3,963)	(79,191)
Net present values	31,758	67,321	72,724	120,192	93,013	385,008

The future minimum lease payments have been translated at the closing rate at June 30, 2015 using an exchange rate of USD\$1.00 = CAD\$1.249.

iv) Term loans

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013, the Company entered into the following loan agreements with related parties (see note 16):

- A 5 year loan and security agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2015 is CAD\$575,750;
- A 5 year loan and security agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2015 is CAD\$93,675 (US\$75,000);
- A 4 year loan and security agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2015 is CAD\$58,585;
- A 4 year loan and security agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2015 is CAD\$36,585 (US\$29,292); and

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

7 Long-term debt (continued)

iv) Term loans (continued)

- (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\$437,244 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$368,879 (US\$295,340). The loan was retired on July 28, 2015 (see note 18).

8 Capital stock

e) Authorized

Unlimited number of common shares, without nominal or par value.
Unlimited number of preferred shares, without nominal or par value.

b) Issued and fully paid

For the three and six months ended June 30, 2015 and the year ended December 31, 2014, there were no changes in issued common shares of the Company.

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

	Common stock	
	Number	\$
Balance, December 31, 2014 and June 30, 2015	28,884,658	8,585,808

c) Weighted average common shares

The basic weighted average number of common shares outstanding for the three and six months ended June 30, 2015, was 28,884,658 (December 31, 2014 - 28,884,658).

d) Stock options

At June 30, 2015, the Company has 1,817,500 options outstanding (December 31, 2014 – 1,252,500) and a weighted average exercise price of \$0.17 (December 31, 2014 - \$0.18). During the six months ended June 30, 2015, 140,000 stock options expired (for the six months ended June 30, 2014 – 280,000). There were 700,000 stock options granted during the six months ended June 30, 2015 (for the six months ended June 30, 2014 – 5,000). The net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$51,093 (for the six months ended June 30, 2014 – \$68).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

9 Convertible debentures

On December 31, 2012, the Company issued \$375,000 convertible, unsecured subordinated, debentures. The debentures have a five-year term and a coupon of 7.5% interest per annum. 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 at any time prior to maturity. Conversion may occur at any time prior to the maturity date of December 31, 2017. The Company may, at its option, redeem the debentures, in whole or in part, at a redemption price equal to the principal amount plus accrued interest and unpaid interest. Interest of 7.5% per annum will be paid annually on the anniversary of the grant date. Debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case such deferred interest payment shall accrue additional interest at 7.5% per annum. The convertible debentures contain two components: liability and equity elements. The equity element is presented in equity under the label of 'issue of convertible debentures' as contributed surplus. The effective interest rate of the liability element on initial recognition is 9.5% per annum (2014 – 9.5%).

	2015	2014
	\$	\$
Opening balance of liability component net of transaction costs	342,645	337,882
Accretion expense	2,517	4,763
Closing balance of liability component net of transaction costs	345,162	342,645
Equity component net of transaction costs	27,710	27,710
Deferred tax liability related to the equity component	7,633	7,633
Equity component net of transaction costs and tax	20,077	20,077

10 Revenue

The revenue earned by the Company for the three and six months ended June 30, 2015 and 2014 is broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
	\$	\$	\$	\$
Royalties	378,989	285,192	750,980	543,249
Franchise fees	–	–	24,680	65,230
License fees	2,210	1,038	4,429	5,597
Shredding services	1,198,858	1,035,174	2,335,531	1,987,475
Sale of paper products	244,526	227,940	481,914	433,373
Total revenue	1,824,583	1,549,344	3,597,534	3,034,924

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

11 Corporate operating locations expenses by nature

The corporate operating locations expenses incurred by the Company for the three and six months ended June 30, 2015 and 2014 are broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
	\$	\$	\$	\$
Shredding expenses	184,305	207,735	395,294	366,733
Employee wages expense	371,631	296,517	726,159	582,596
Employee benefit expense	67,046	61,587	152,554	127,828
Office and administration expense	141,547	130,043	289,049	259,321
Total corporate operating expenses	764,529	695,882	1,563,056	1,336,478

12 Selling, general and administrative expenses by nature

The selling, general and administrative expenses incurred by the Company for the three and six months ended June 30, 2015 and 2014 are broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
	\$	\$	\$	\$
Employee wages expense	162,297	158,466	326,157	345,094
Employee benefits expense	17,006	15,721	35,730	34,983
Share-based compensation	51,032	45	51,093	68
Professional fees	45,413	38,863	99,837	83,623
Technology	81,306	62,212	161,471	117,546
Rent and office expense	21,198	16,394	40,944	44,269
Selling and development	23,690	25,311	43,254	72,862
Amortization of deferred financing charges	1,842	1,842	3,684	3,684
Other	49,963	62,012	96,856	88,903
Total selling, general and administrative expenses	453,747	380,866	859,026	791,032

Compensation of key management

Included in employee wages and benefits expense above is key management personnel compensation as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2015	2014	2015	2014
	\$	\$	\$	\$
Wages and benefits	84,012	117,125	171,119	266,189
Share-based compensation	18,202	45	18,202	68
Total	102,214	117,170	189,321	266,257

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

12 Selling, general and administrative expenses by nature (continued)

For the six months ended June 30, 2015, compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, and Executive Vice President. For the six months ended June 30, 2014, compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, Executive Vice President, former Vice President of Operations and former President.

13 Commitments

Commitments

The Company leases office premises in Mississauga, Ontario, Canada. The lease expires on September 30, 2018. Additionally, the Company leases facilities in Albany, which expires on March 31, 2016, Syracuse, which expires on August 31, 2015, Milwaukee, which expires on August 31, 2017, New York City, which expires on September 30, 2015 and Charlotte, which expires on April 30, 2017. Certain contracts include renewal options for various periods of time. For the six months ended June 30, 2015, the Company incurred \$117,902 (six months ended June 30, 2014 - \$106,125) in lease payments as an expense included in 'selling, general and administrative expenses' and 'corporate operating expenses.'

Non-cancellable operating lease rentals are payable as follows:

	\$
Less than 1 year	179,028
Between 1 and 5 years	<u>242,491</u>
Total	<u>421,519</u>

14 Financial instruments and fair values

The Company has various financial assets that consist of: cash, trade receivables and notes receivable from franchisees. The Company's financial liabilities include accounts payable, accrued liabilities, notes payable, long-term debt and convertible debenture liability.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, foreign exchange risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Interest rate risk

The Company's cash is subject to cash flow risk, as it earns interest at prevailing and fluctuating market rates. The Company has a fixed rate on notes receivable from franchisees ranging from 4.25% to 8.25% per annum, and the line of credit facility has a fixed interest rate of 10% per annum. The truck loans have fixed interest rates ranging from 6.502% to 8.14% per annum. The loans in connection with the Charlotte purchase have fixed interest rates of 9% per annum. These financial instruments are subject to interest rate fair value risk, as their fair values will fluctuate as a result of changes in market rates.

Credit risk

In accordance with its investment policy, the Company maintains cash deposits with banks. The credit risk on cash is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

14 Financial instruments and fair values (continued)

Credit risk (continued)

Receivables related to franchising and licensing

The accounts and notes receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees and existing franchisees. In addition, the receivable balances are monitored on an ongoing basis. As of June 30, 2015, 6 franchisees accounted for 65 % of the accounts receivable and notes receivable balance related to franchising and licensing (December 31, 2014 - 6 franchisees accounted for 72%). For the six months ended June 30, 2015, 3 franchisees accounted for 26% of the Company's revenues related to franchising and licensing (December 31, 2014 - 3 franchisees accounted for 28%). As of June 30, 2015, 4% of accounts and notes receivable were over 90 days old and related to one franchisee (December 31, 2014 – 3%).

Receivables related to corporate operations

The accounts receivable are exposed to credit risk from the possibility that customers may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one customer. All new, one-time customers are required to make payments for services by way of preapproved credit card. In addition, the receivable balances with customers are monitored on an ongoing basis and collection efforts are dedicated on an ongoing basis to limit the Company's exposure to bad debt. At June 30, 2015 and December 31, 2014, no customer accounted for more than 10% of the accounts receivable balance. For the six months ended June 30, 2015 and June 30, 2014, no customer accounted for more than 10% of the Company's revenues in this category. As of June 30, 2015, 10% of accounts receivable in this category was over 90 days old (December 31, 2014 – 4%). The Company has not recorded an allowance for credit losses from receivables related to corporate operations (December 31, 2014 - \$2,417). The Company does not have any reason to believe it will not collect all remaining balances.

Foreign exchange risk

Subsidiaries of the Company have loans denominated in a currency other than their functional currency of CAD\$584,335 as at June 30, 2015 (December 31, 2014 – CAD\$596,313). Based on the financial liability held in the United States and denominated in CAD at June 30, 2015, a 5% increase or decrease in exchange rates would impact the Company's net earnings by approximately \$23,676 (December 31, 2014 - \$25,639).

The Company realized a foreign exchange gain of \$493,533 (June 30, 2014 - \$136,968) during the six months ended June 30, 2015.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. The Company has incurred significant losses to date, and has a deficit of \$8.5 million at June 30, 2015. Cash flow forecasting is performed by management, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Although management considers its assumptions used in its cash flow forecasts to be reasonable, there is no assurance that the cash flow forecasts will be achieved. The Company monitors its cash balances and cash flows generated from operations to meet requirements.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

14 Financial instruments and fair values (continued)

Liquidity risk (continued)

Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due. The Company does not have any financial covenants to comply with.

The current liabilities of \$1,432,755 at June 30, 2015 (December 31, 2014 - \$1,595,309), are due to be settled within one year from the date of the Statement of Financial Position. The Company has current assets of \$1,556,309 at June 30, 2015 (December 31, 2014 - \$1,199,402) including a cash balance of \$544,333 (December 31, 2014 - \$366,211).

Principal	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	530,405	–	–	–
Notes payable	27,249	22,037	–	–
Convertible debentures	–	–	345,162	–
Long-term debt	150,482	685,240	7,346,973	–

Interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Notes payable	686	255	–	–
Convertible debentures	–	28,125	56,250	–
Long-term debt	63,973	429,208	1,326,340	–

Liquidity risk

Total principal and interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	530,405	–	–	–
Notes payable	27,935	22,292	–	–
Convertible debentures	–	28,125	401,412	–
Long-term debt	214,455	1,114,448	8,673,313	–

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

14 Financial instruments and fair values (continued)

Fair value of financial instruments

The carrying value amounts of many of the Company's financial instruments, including cash, trade receivables, accounts payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value due primarily to the short-term maturity of the related instruments. The fair value estimates of the Company's notes receivable from franchisees, are made as at a specific point in time based on estimates using present value or other valuation techniques. The carrying value of the Company's notes payable and long-term debt approximates fair value as the rates are similar to rates currently available to the Company.

These valuation techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. The carrying value of the Company's notes receivable from franchisees at June 30, 2015, amounted to \$218,997 (December 31, 2014 - \$244,071) with fair value estimated to be \$217,349 (December 31, 2014 - \$201,532), respectively.

15 Capital management

The Company defines capital as shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains the appropriate capital levels to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or issue debt securities.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

16 Segment reporting

The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The Company operates three reportable operating segments, (1) the granting and managing of shredding business franchises under the "Proshred" trademark (Franchising and licensing), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate Overhead). Total assets and liabilities by reportable operating segment are as follows:

	Franchising and licensing	Corporate locations	Corporate Overhead	Total
	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash	168,212	170,670	205,451	544,333
Cash attributable to the Ad Fund	93,254	–	–	93,254
Trade receivables	140,119	565,794	22,497	728,410
Prepaid expenses	21,999	53,548	34,301	109,848
Notes receivable from franchisees	80,464	–	–	80,464
Total current assets	504,048	790,012	262,249	1,556,309
Non-current assets				
Notes receivable from franchisees	138,533	–	–	138,533
Equipment	–	2,874,487	3,016	2,877,503
Intangible assets	679,776	1,865,245	706,819	3,251,840
Goodwill	–	1,709,175	–	1,709,175
Total assets	1,322,357	7,238,919	972,083	9,533,360
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	145,216	205,081	234,543	584,840
Current portion of notes payable	–	49,286	–	49,286
Current portion of long-term debt	–	798,629	–	798,629
Total current liabilities	145,216	1,052,996	234,543	1,432,755
Non-current liabilities				
Long-term debt	–	7,373,103	–	7,373,103
Convertible debenture	–	–	345,162	345,162
Deferred tax liability	167,929	–	–	167,929
Total liabilities	313,145	8,426,099	579,705	9,318,949

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

16 Segment reporting (continued)

	Franchising and licensing	Corporate locations	Corporate Overhead	Total
	December 31, 2014	December 31, 2014	December 31, 2014	December 31, 2014
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash	77,662	98,190	190,359	366,211
Cash attributable to the Ad Fund	80,102	—	—	80,102
Trade receivables	118,200	449,951	19,867	588,018
Prepaid expenses	4,420	52,801	23,620	80,841
Notes receivable from franchisees	84,230	—	—	84,230
Total current assets	364,614	600,942	233,846	1,199,402
Non-current assets				
Notes receivable from franchisees	159,841	—	—	159,841
Equipment	—	2,589,812	4,664	2,594,476
Intangible assets	748,747	1,916,619	839,341	3,504,707
Goodwill	—	1,591,079	—	1,591,079
Total assets	1,273,202	6,698,452	1,077,851	9,049,505
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	131,784	280,013	319,559	731,356
Current portion of notes payable	2,081	100,371	—	102,452
Current portion of long-term debt	—	761,501	—	761,501
Total current liabilities	133,865	1,141,885	319,559	1,595,309
Non-current liabilities				
Long-term debt	—	7,323,762	—	7,323,762
Convertible debenture	—	—	342,645	342,645
Deferred tax liability	154,076	—	—	154,076
Total liabilities	287,941	8,465,647	662,204	9,415,792

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

16 Segment reporting (continued)

Geographic information

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Canada	\$	\$
Equipment	3,016	4,664
Intangible assets	706,819	839,341
United States		
Notes receivable from franchisees	218,997	244,071
Equipment	2,874,487	2,589,812
Intangible assets	2,545,021	2,665,366
Goodwill	1,709,175	1,591,079
Total		
Notes receivable from franchisees	218,997	244,071
Equipment	2,877,503	2,594,476
Intangible assets	3,251,840	3,504,707
Goodwill	1,709,175	1,591,079

Revenue

All revenues were attributed to the United States, with the exception of license fees, which were attributed to the Middle East.

For the three months ended,	<u>June 30, 2015</u>	<u>June 30, 2014</u>
	\$	\$
United States		
Royalties	378,989	285,192
Franchise fees	-	-
Shredding services	1,198,858	1,035,174
Sale of paper products	244,526	227,940
Middle East		
License fees	2,210	1,038

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

16 Segment reporting (continued)

Geographic information (continued)

For the six months ended,	June 30, 2015	June 30, 2014
	\$	\$
United States		
Royalties	750,980	543,249
Franchise fees	24,680	65,230
Shredding services	2,335,531	1,987,475
Sale of paper products	481,914	433,373
Middle East		
License fees	4,429	5,597

Net income (loss) by operating segment

Total net income (loss) by reportable operating segment is as follows:

	For the three months ended June 30, 2015			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	381,199	1,443,384	–	1,824,583
Direct costs	–	(764,529)	–	(764,529)
Corporate overhead	(202,781)	(117,975)	(132,991)	(453,747)
Depreciation and amortization	(144,474)	(197,442)	–	(341,916)
Foreign exchange loss	–	–	(68,131)	(68,131)
Loss on sale of assets	–	(11)	–	(11)
Interest expense	–	(171,640)	(8,220)	(179,860)
Interest income	1,968	–	–	1,968
Income tax recovery	17,353	–	–	17,353
Net income (loss)	51,423	191,787	(207,500)	35,710

	For the three months ended June 30, 2014			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	286,230	1,263,114	–	1,549,344
Direct costs	–	(695,882)	–	(695,882)
Corporate overhead	(155,375)	(105,600)	(118,049)	(379,024)
Depreciation and amortization	(137,101)	(160,206)	–	(297,307)
Foreign exchange loss	–	–	(68,311)	(68,311)
Interest expense	–	(186,638)	(8,223)	(194,861)
Interest income	2,570	–	–	2,570
Income tax recovery	13,387	–	–	13,387
Net income (loss)	9,711	114,788	(194,583)	(70,084)

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

16 Segment reporting (continued)

Net income (loss) by operating segment (continued)

	For the six months ended June 30, 2015			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	780,089	2,817,445	–	3,597,534
Direct costs	–	(1,563,056)	–	(1,563,056)
Corporate overhead	(422,087)	(212,550)	(224,389)	(859,026)
Depreciation and amortization	(291,731)	(396,775)	–	(688,506)
Foreign exchange gain	–	–	493,533	493,533
Interest expense	–	(352,289)	(16,440)	(368,729)
Interest income	4,250	–	–	4,250
Gain on sale of assets	–	3,085	–	3,085
Income tax recovery	22,465	–	–	22,465
Net income	89,302	295,860	256,388	641,550

	For the six months ended June 30, 2014			
	Franchising and licensing	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	614,076	2,420,848	–	3,034,924
Direct costs	–	(1,336,478)	–	(1,336,478)
Corporate overhead	(368,625)	(222,675)	(196,047)	(787,347)
Depreciation and amortization	(274,907)	(329,047)	–	(603,954)
Foreign exchange gain	–	–	136,968	136,968
Interest expense	–	(388,730)	(16,445)	(405,175)
Interest income	4,719	–	–	4,719
Income tax recovery	26,912	–	–	26,912
Net income (loss)	2,175	143,918	(75,524)	70,569

17 Related party balances and transactions

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. Included in accounts receivable at June 30, 2015, is \$217 (December 31, 2014 - \$nil) due from this franchise. During the six months ended June 30, 2015, the Company earned royalty and service fees amounting to \$53,031 (2014 - \$48,071) 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 (refer to note 7). The Company has drawn from its line of credit in order to finance the purchase of its corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes.

Included in selling, general and administrative expenses for the six months ended June 30, 2015 are insurance premium amounts of \$9,150 (2014 - \$9,184) paid to an insurance brokerage firm, managed by a Director of the Company.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2015

(expressed in Canadian dollars)

17 Related party balances and transactions (continued)

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

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013, the Company entered into the following loan agreements with related parties (see note 7):

- (a) A 5 year loan and security agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2015 is CAD\$525,750;
- (b) A 5 year loan and security agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The estimated fair value of the loan on June 30, 2015 is CAD\$93,675 (US\$75,000);
- (c) A 4 year loan and security agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2015 is CAD\$58,585;
- (d) A 4 year loan and security agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan is secured by a general security agreement over the assets of the Proshred Charlotte entity. The loan bears interest at 9% per annum and the estimated fair value of the loan on June 30, 2015 is CAD\$36,586 (US\$29,292); 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\$469,001 at June 30, 2015. The value of the loan on June 30, 2015 is CAD\$368,880 (US\$295,340). The loan was retired on July 28, 2015 (see note 18).

18 Subsequent Events

On July 22, 2015 the Company entered into a loan and security agreement in the amount of US\$300,500, repayable with monthly blended payments of principal and interest of US\$7,283 maturing July 22, 2019. The loan bears interest at 7.5% per annum and is secured by three shredding vehicles. The loan was used to pay off the related party 4 year loan and security agreement with a value of CAD\$368,880 (US\$295,340) at June 30, 2015.