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Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated interim financial report and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's unaudited consolidated interim financial statements for the three months ended March 31, 2013 and 2012. Additional information on Redishred, including these documents and the Company's 2012 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 29th, 2013.

Forward Looking Statements

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

- (i) the Company's ability to achieve certain levels of cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due over the next twelve months, which may be impacted by:
 - a. the number of new franchises awarded,
 - b. the size of the franchise territories awarded,
 - c. the growth of the system sales achieved by existing and new locations,
 - d. the economic circumstances in certain regions of the United States,
 - e. the number and size of acquisitions,
 - f. the growth of sales achieved in corporate locations,
 - g. the level of corporate overhead,
 - h. the outcome of current litigation,
- (ii) franchise development or the awarding of franchises, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise;
- (iii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms;
- (iv) anticipated system sales, royalty revenue and corporate store revenue, which may be impacted by industry growth levels which to date have been driven by favourable legislation and favourable media coverage on the impacts of identity theft;
- (v) recycling revenues may be impacted by commodity paper prices which will vary with market conditions both in the United States and Internationally;
- (vi) the commencement of new franchise operations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution;
- (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 sell the Miami business at the valuation level forecasted and within the next 12 months, which remains subject to negotiation of acceptable terms.

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

Non-IFRS Measures

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

- System sales are revenues generated by franchisees, licensees and corporately operated locations. The system sales generated by franchisees and licensees drive the Company's royalties. The system sales generated by corporate locations are included in the Company's revenues.
- Same store system sales results, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in 2013 and 2012.
- EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a performance measure used to assess our corporate locations' performance.
- Corporate operating income (loss) is the income (loss) generated by corporately operated locations. The operating income (loss) generated is inclusive of depreciation on tangible equipment, primarily trucks and containers. It does not include amortization related to intangibles assets or allocations for corporate overhead. The corporate operating income (loss) also includes the interest related to the Company's line of credit utilized to purchase the corporately operated locations.
- Operating income (loss) is defined as revenues less operating costs, interest expense, depreciation and amortization related to the tangible assets. Depreciation and amortization for intangible assets has not been included in this calculation.

Basis of Presentation

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

Overview of Redishred Capital Corp.

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

As of March 31, 2013, there were 24 operating Proshred locations in the United States comprised of 104.1 territories. A territory in the United States is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). In March 2013, the Richmond franchise commenced operation.

The Company operates the Syracuse, Albany, Milwaukee and New York City locations directly. The Miami business is currently jointly operated by Redishred and one of the Company's franchise locations (refer to 'Transactions with Related Parties' and 'Miami Operations'). The Company has committed to a plan to sell the Miami business and has multiple parties interested in its purchase.

As of March 31, 2013, the Company also has one international master license to operate in the Middle East¹. There are 5 Proshred locations in the Middle East in operation, including Doha, Qatar, Dubai, UAE, Abu Dhabi, UAE, Riyadh, Saudi Arabia and Jeddah, Saudi Arabia.

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

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

The Company's location list is as follows:

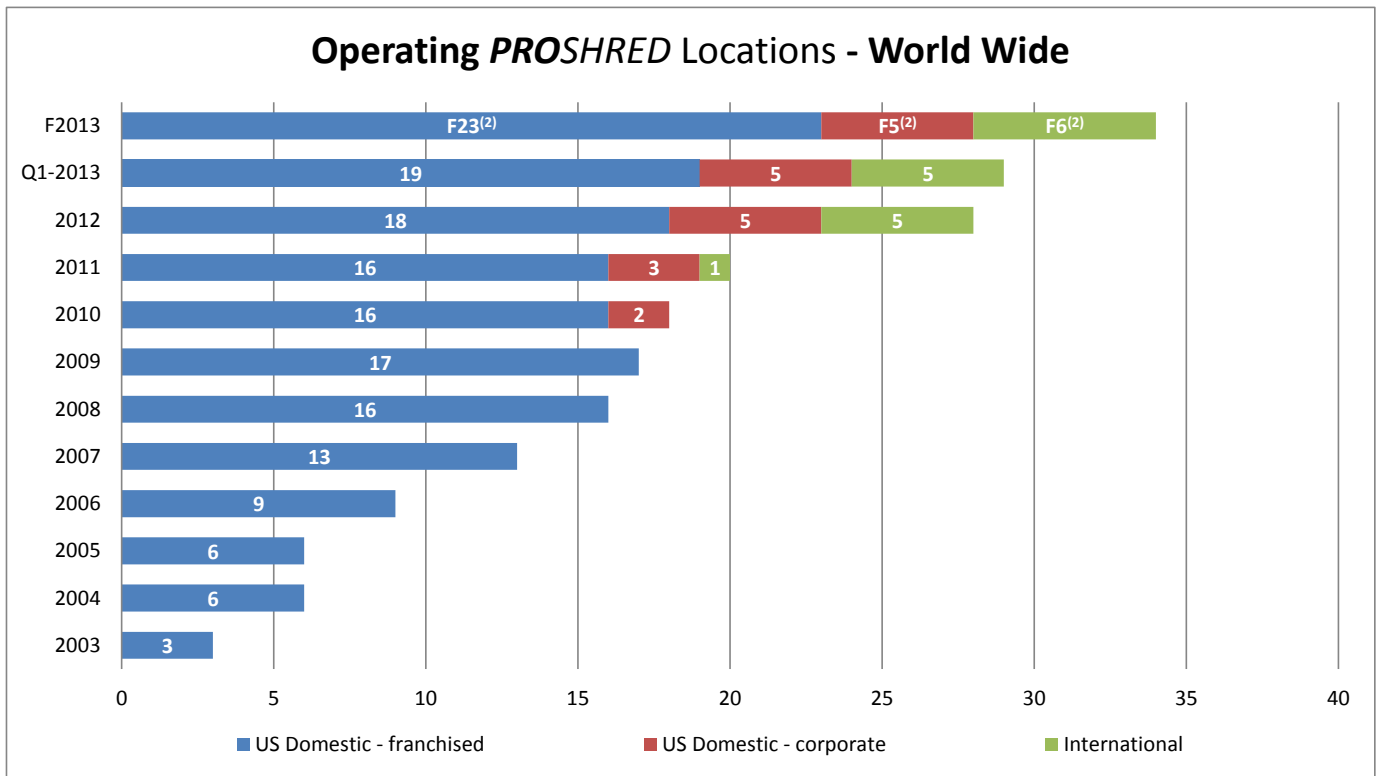
| No. | Franchise locations | Operating since | Territories |
|--|--|-----------------------------|--------------------|
| 1. | SPRINGFIELD, MA | June 2003 | 2.3 |
| 2. | TAMPA BAY, FL | March 2004 | 2.1 |
| 3. | DENVER, CO | August 2004 | 3.8 |
| 4. | CHARLOTTE, NC | April 2006 | 3.3 |
| 5. | PHILADELPHIA, PA | September 2006 | 5.0 |
| 6. | KANSAS CITY, MO | December 2006 | 4.0 |
| 7. | NEW HAVEN, CT | April 2007 | 3.6 |
| 8. | CHICAGO, IL (includes North and South Territories) | April 2007 | 7.2 |
| 9. | RALEIGH, NC | June 2007 | 4.7 |
| 10. | BALTIMORE, MD (includes Washington, DC) | November 2007 | 6.7 |
| 11. | N. VIRGINIA, VA | July 2008 | 3.8 |
| 12. | ORANGE COUNTY, CA | September 2009 | 3.0 |
| 13. | SAN DIEGO, CA | October 2010 | 2.9 |
| 14. | INDIANAPOLIS, IN | June 2011 | 2.6 |
| 15. | ATLANTA, GA | January 2012 | 6.3 |
| 16. | PHOENIX, AZ | January 2012 | 4.2 |
| 17. | DALLAS, TX | March 2012 | 6.3 |
| 18. | HOUSTON, TX | November 2012 | 5.7 |
| 19. | RICHMOND, VA | March 2013 | 3.2 |
| <i>Franchised territories in operation</i> | | | 80.7 |
| No. | Corporate locations | Operating since | Territories |
| 20. | SYRACUSE, NY | March 2004 ⁽¹⁾ | 2.5 |
| 21. | ALBANY, NY | April 2003 ⁽¹⁾ | 1.2 |
| 22. | MILWAUKEE, WI | August 2003 ⁽¹⁾ | 2.7 |
| 23. | NEW YORK CITY, NY (includes Long Island, NY) | January 2008 ⁽¹⁾ | 11.3 |
| 24. | MIAMI, FL | June 2008 ⁽¹⁾ | 5.7 |
| <i>Corporate territories in operation</i> | | | 23.4 |
| Grand Total | | | 104.1 |

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

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

| No. | International locations | Operating since | Territories |
|------------|--------------------------------|------------------------|--------------------|
| 1. | DOHA, QATAR | September 2011 | - |
| 2. | DUBAI, UAE | January 2012 | - |
| 3. | ABU DHABI, UAE | June 2012 | - |
| 4. | RIYADH, SAUDI ARABIA | December 2012 | - |
| 5. | JEDDAH, SAUDI ARABIA | December 2012 | - |

Worldwide locations



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

Performance Compared to 2013 Goals and Objectives

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

| 2013 Goals and Objectives | Performance during the three months ended March 31, 2013 | Comments |
|---|---|--|
| Grow system sales from all locations by 10% to \$16.4M USD compared to 2012. | <p>During the first quarter of 2013, system sales grew by 10% in comparison to the comparative 2012 period. Redishred's:</p> <ul style="list-style-type: none"> • scheduled system sales grew by 12% (same store sales grew by 11%); • unscheduled system sales grew by 11% (same store sales grew by 10%); • recycling system sales increased by 4% (same store sales increased by 2%). | Redishred is on target for achieving its annual goal. |
| Award at least four franchise locations. | During the three months ended March 31, 2013, the Company did not award any new franchise locations. Redishred continues to discuss franchise opportunities with potential franchise candidates. | Redishred believes it will attain its goal of awarding at least four franchise locations. |
| Achieve a minimum of \$800,000 in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee and New York City). | Redishred earned \$185,174 in EBITDA from its Corporate locations during the three months ended March 31, 2013. In April of 2013, the Company closed its New York baling facility, which will be accretive to the company's cash flows going forward. | Redishred believes it will be on target for achieving its annual goal. |

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the 3 months ended March 31, 2013 and 2012.

| <i>(in CDN except where noted)</i> | 2013 | 2012 | Percentage change |
|--|-------------------------|------------------|----------------------|
| | \$ | \$ | % |
| Franchise sales and revenue data: | | | |
| System sales (USD) | <u>4,023,517</u> | <u>3,653,979</u> | <u>10%</u> |
| Total Revenue⁽¹⁾ | <u>919,283</u> | <u>1,101,050</u> | <u>(17)%</u> |
| Franchise and license fees | 1,165 | 93,487 | (99)% |
| Royalties and service fees | 232,349 | 201,627 | 15% |
| Franchise related revenue | 233,514 | 295,114 | (21)% |
| Corporate location data: | | | |
| Corporate location revenue | 674,616 | 805,936 | (16)% |
| Corporate location operating costs | (489,442) | (605,545) | 19% |
| Corporate location EBITDA | 185,174 | 200,391 | (8)% |
| Depreciation – tangible assets | (54,218) | (62,219) | 13% |
| Interest expense | (153,413) | (138,367) | (11)% |
| Operating loss from corporate locations | (22,457) | (195) | (11416)% |
| On-going operating costs | (379,770) | (387,440) | 2% |
| One-time costs ⁽²⁾ | – | (69,262) | 100% |
| Bad debt expense | – | (15,030) | 100% |
| Interest expense | (13,027) | – | (100)% |
| Total operating costs | (392,797) | (471,732) | 19% |
| Operating loss | (181,740) | (176,813) | (3)% |
| Operating loss – excluding one-time costs | (181,740) | (107,551) | (69)% |
| Net loss | (220,417) | (823,470) | 73% |
| Net loss – excluding one-time costs⁽³⁾ | (220,417) | (403,508) | 45% |
| Loss per share | (0.01) | (0.03) | 73% |

(1) Total revenue for the three month ended March 31, 2013 includes royalties and service fees of \$6,734 and rental revenue of \$11,154 from the Miami business currently held for sale.

(2) One-time costs incurred during the three months ended March 31, 2012 are primarily legal fees related to the defence of the current and past franchisee litigation against the Company. As of March 31, 2013, only one franchise remained in the litigation.

(3) "Net loss – excluding one-time costs" for the three months ended March 31, 2012 excludes \$350,700 of the loss on settlement of the pre-existing relationship related to the NYC acquisition and one-time costs related to the franchisee litigation.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

The Company operates the Proshred system, and derives revenues from franchise and other fees as well as royalty and service related fees. In addition to operating the Proshred franchise system, the Company operates four corporate locations in Syracuse, Albany, Milwaukee and New York City. 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.

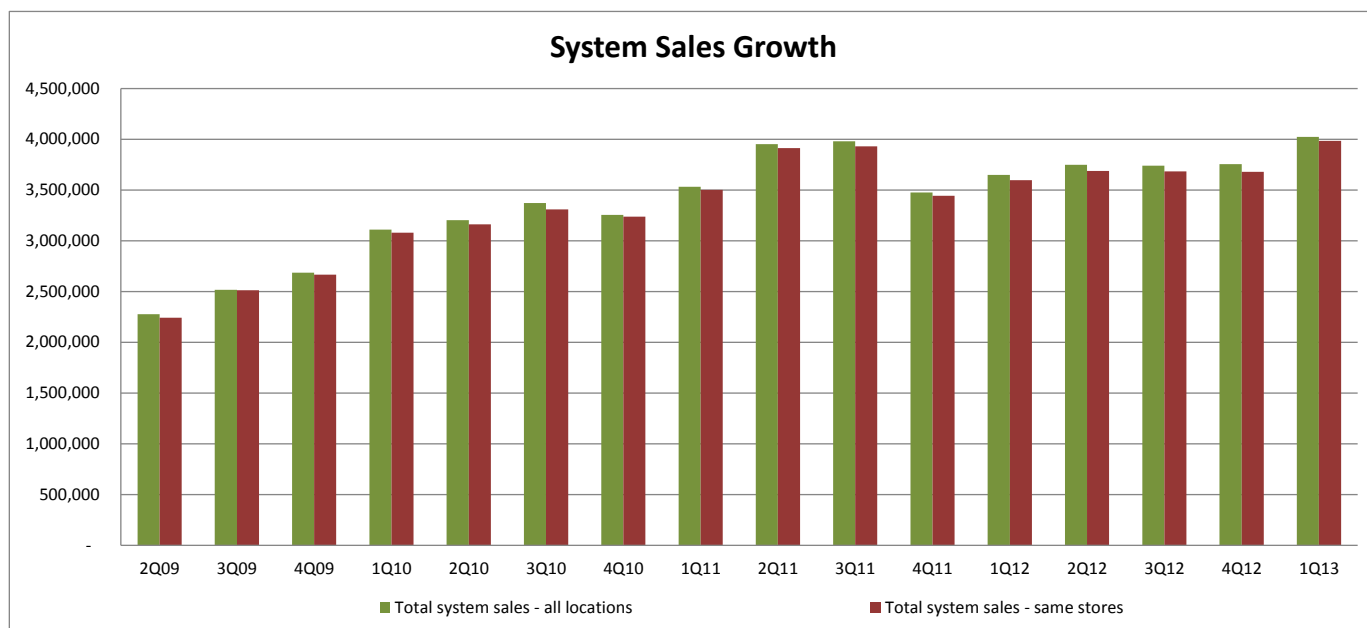
Franchising & Licensing

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 March 31</i> | | |
|---|--------------------------------|--------------|-----|
| | 2013 | 2012 | %Ch |
| Total operating locations at period end; US and International | 29 | 22 | 32% |
| Operating territories (US only) | 104.1 | 91.8 | 14% |
| Total system sales (USD) | \$ 4,023,517 | \$ 3,653,979 | 10% |
| Total system sales (CDN) | \$ 4,054,498 | \$ 3,661,287 | 11% |

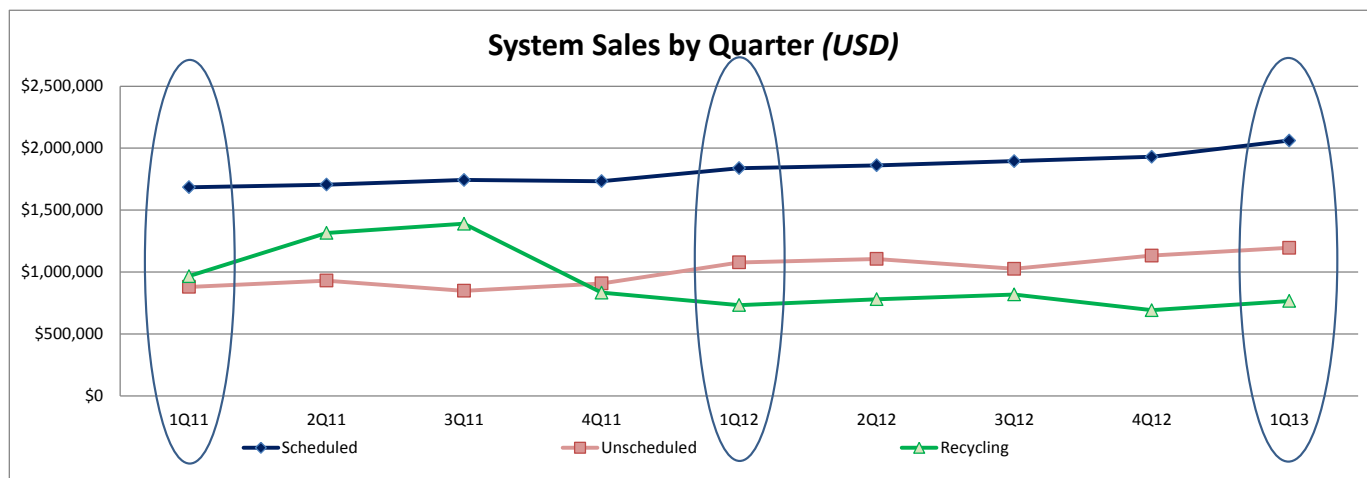
The following chart illustrates system sales growth by quarter since the 2nd quarter of 2009.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

System Sales Quarter Over Quarter:

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



Service related system sales, scheduled and unscheduled, were US\$3,257,415 for the first quarter of 2013, growing by US\$341,939 or 12% over the first quarter of 2012.

Scheduled sales:

Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Proshred sales and marketing strategies have been and continue to be focused on this particular sales category, as this provides our franchisees and corporate locations with stable and recurring cash flows. This focus resulted in continued growth in this category in the first quarter of 2013 versus the same quarter in 2012. For the three months ended March 31, 2013, scheduled sales reached a record high of US\$2,061,747.

| | 3 months ended March 31 | | |
|--|-------------------------|-----------|-----|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Scheduled service sales (USD) | 2,061,747 | 1,839,056 | 12% |
| Same store scheduled service sales (USD) | 2,034,851 | 1,827,972 | 11% |

Unscheduled sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. For the three months ended March 31, 2013, unscheduled sales reached a record high of \$1,195,668, growing 11% over the same period in 2012.

| | 3 months ended March 31 | | |
|--|-------------------------|-----------|-----|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Unscheduled service sales (USD) | 1,195,668 | 1,077,060 | 11% |
| Same store unscheduled service sales (USD) | 1,129,199 | 1,028,492 | 10% |

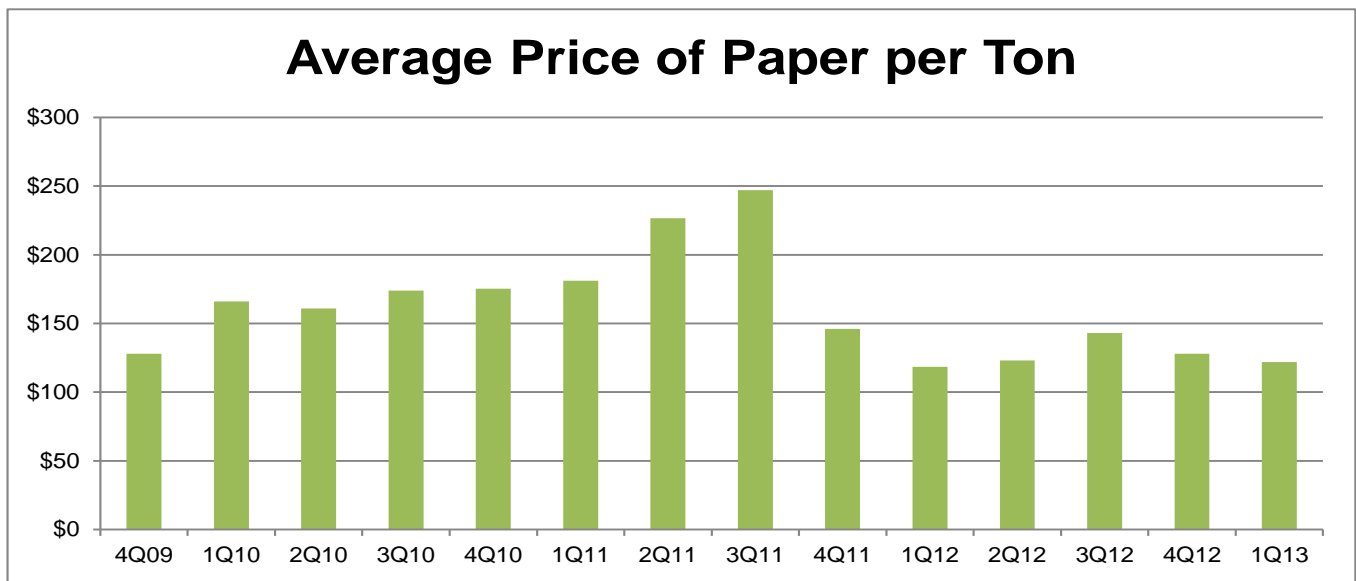
**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

Recycling sales:

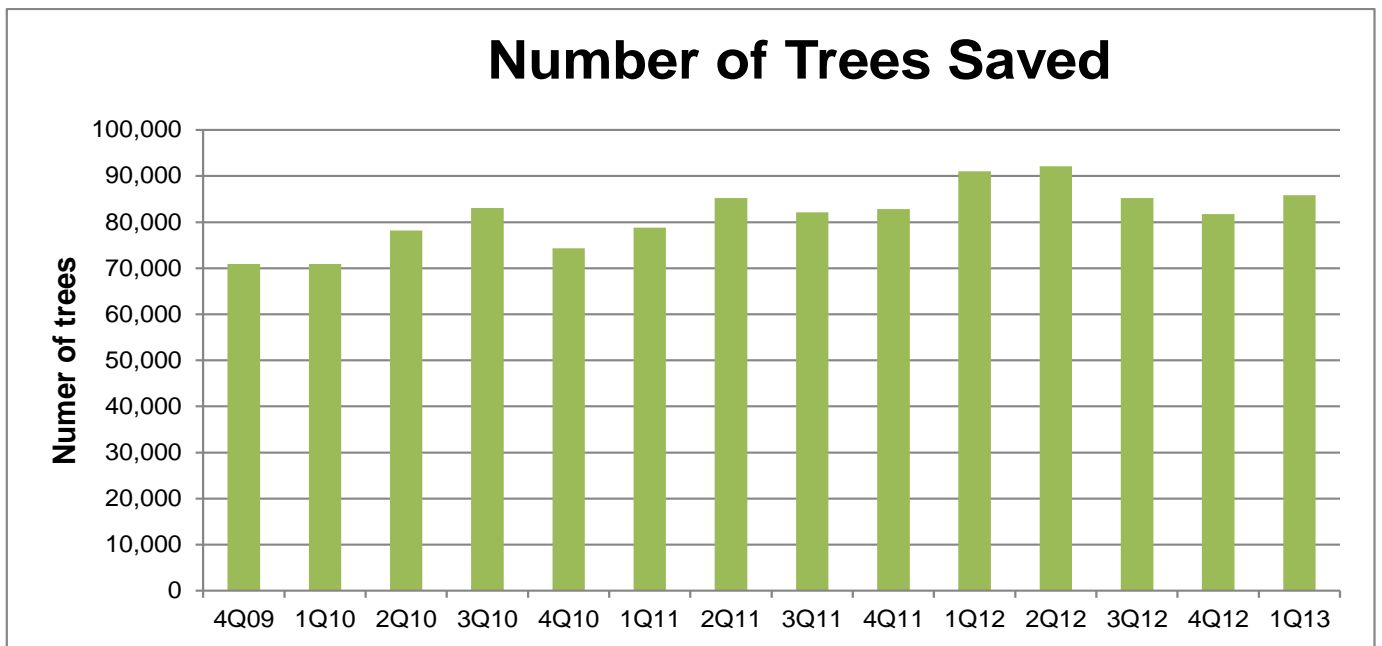
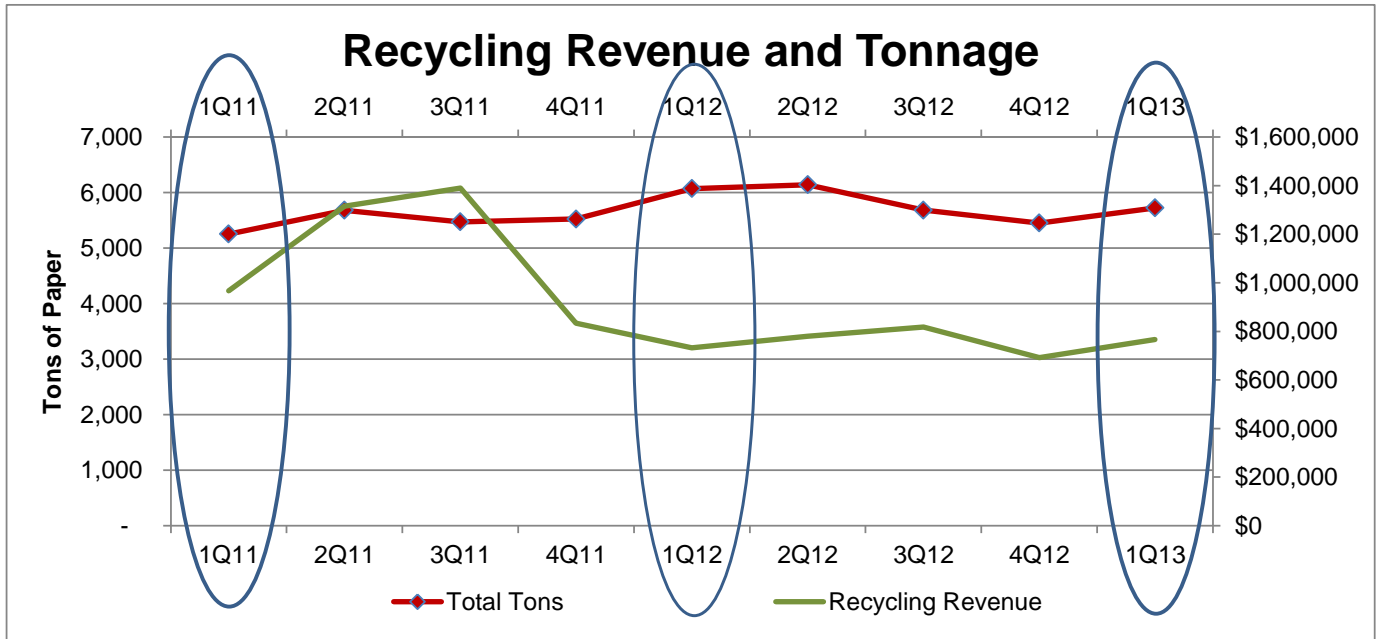
Recycling sales are defined as the revenue generated from the shredded paper and other material that is sold to various recycling companies. This sales category is driven by the price of paper, which is impacted by global supply and demand for shredded paper and the volume of paper recycled which is measured in tons. From the last quarter of 2009 to the third quarter of 2011, the price of recycled paper products increased and grew to near record highs of \$247 per ton, on average, in the Proshred system. From the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52% to an average low of \$118 per ton, in the Proshred system. During the third and fourth quarter of 2012 the average price of recycled paper was \$135 per ton in the Proshred system.

During the three months ended March 31, 2013, the price of recycled paper slightly declined from the fourth quarter of 2012 to an average price of \$118 per ton in the Proshred system.

| | 3 months ended March 31 | | |
|----------------------------------|-------------------------|---------|-----|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Recycling sales (USD) | 766,102 | 734,766 | 4% |
| Same store recycling sales (USD) | 729,836 | 714,429 | 2% |



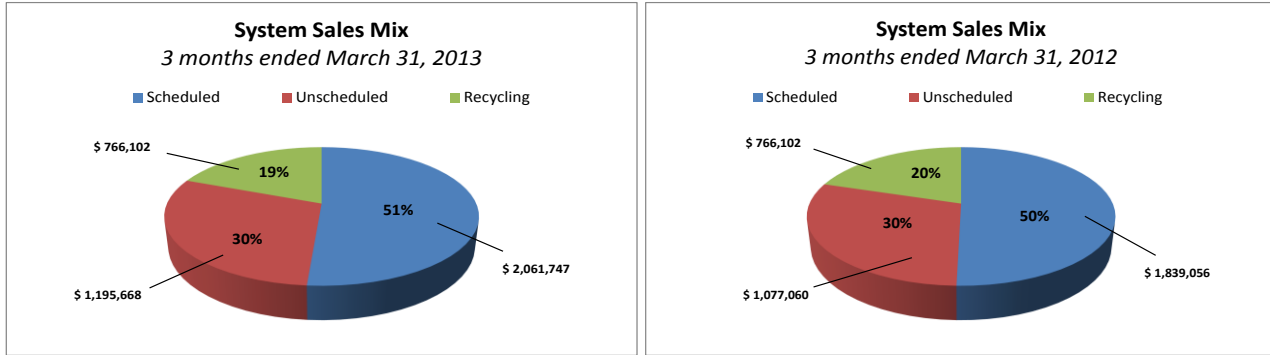
During the three months ended March 31, 2013, the system shredded and recycled 5,700 (March 31, 2012 – 6,070) tons of paper, which equates to 85,000 (March 31, 2012 - 91,000) trees being saved.



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

Mix of business:

Scheduled sales account for 51% of total sales for the quarter ended March 31, 2013 (March 31, 2012 – 50%). Unscheduled sales account for 30% of total sales for the three months ended March 31, 2013 (March 31, 2012 – 30%). Recycling sales account for 19% of total sales for the quarter ended March 31, 2013 (March 31, 2012 – 20%).



Total Franchising Revenues

| | 3 months ended March 31 | | |
|---|-------------------------|---------|-------|
| | 2013 | 2012 | % Ch |
| | \$ | \$ | |
| Franchise and license fees | 1,165 | 93,487 | (99)% |
| Royalty and service fees | 232,349 | 201,627 | 15% |
| Total franchise and license related revenue | 233,514 | 295,114 | (21)% |

Royalties and service fees are charged for use of the trademarks and system, franchise and license fee revenue is generated when a franchise or license is awarded and training is completed. Royalty and service fees earned in 2013 were higher than in 2012 by 15% due to increased system sales, including scheduled, unscheduled and recycling system sales (refer to 'System Sales'). The royalty and service fees include royalties and service fees from the Miami business of \$6,734 (refer to 'Miami Operation').

The Company derives all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2013, royalty and fee revenues were US\$231,729.

Operating Expenses

| | <i>3 months ended March 31</i> | | |
|--|--------------------------------|---------|--------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Salaries | 205,923 | 210,886 | 2% |
| General, administrative and marketing – on-going | 173,847 | 176,554 | 2% |
| General, administrative and marketing – one-time costs | – | 69,262 | 100% |
| Bad debt expense | – | 15,030 | 100% |
| Interest expense | 13,027 | – | (100)% |
| Total operating expenses | 392,797 | 471,732 | 19% |

Operating expenses for the three months ended March 31, 2013 include expenses to support 24 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. Interest expense includes interest on the convertible debentures issued on December 31, 2012 and the interest related to the Miami business held for sale (refer to 'Miami Operations'). The Company continues to closely monitor and control all operating expenses. For the three months ended March 31, 2012, one-time general, administration and marketing costs of \$69,262 relate to the defence of the past and current litigation. As of May 29th, 2013, one franchisee remains a party to the legal complaint.

Amortization – Franchising

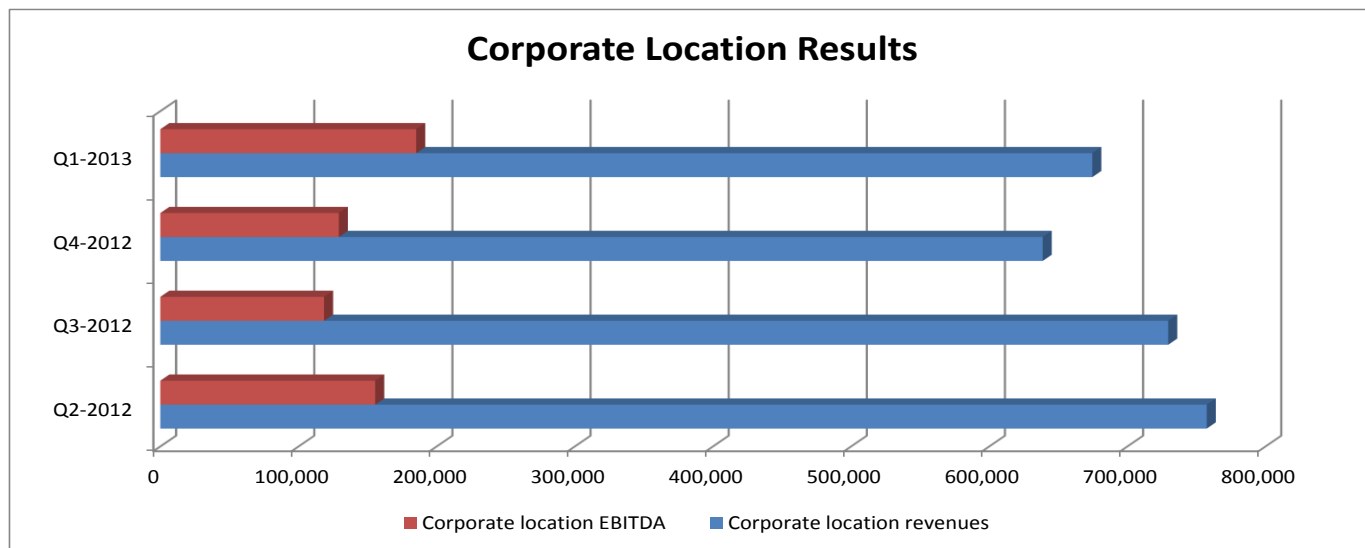
Amortization relate to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008. For the three months ended March 31, 2013, amortization of intangibles related to the franchise and license operations decreased over the prior period due to the impairment of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

| | <i>3 months ended March 31</i> | | |
|----------------------------------|--------------------------------|---------|-----|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Amortization – intangible assets | 109,517 | 118,985 | 8% |

Corporate Operations

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

| | <i>3 months ended March 31</i> | | | |
|-------------------|--------------------------------|-----------------|-------------|-----------------|
| | 2013 | % of revenue | 2012 | % of revenue |
| | \$ | | \$ | |
| Revenue: | | | | |
| Shredding service | 547,581 | 81% | 641,168 | 80% |
| Recycling | 127,035 | 19% | 164,768 | 20% |
| Total revenue | 674,616 | 100% | 805,936 | 100% |
| Operating costs | 489,442 | 73% | 605,545 | 75% |
| EBITDA | 185,174 | 27% | 200,391 | 25% |



Shredding service and recycling revenue is generated by our corporate locations in Albany, Syracuse, Milwaukee and New York City. These revenues are generated in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2013, shredding service and recycling revenues, denominated in US dollars were US\$669,546.

During the first quarter of 2013, the Company replaced four of its existing shredding vehicles with two new shredding vehicles in its' New York City location in order to ensure that high customer service levels are maintained and operational efficiencies are maximized. The Syracuse and Milwaukee locations experienced significant truck down-time resulting in a decline in revenues over the prior period. The Company is currently refurbishing the affected shredding vehicles to ensure that high customer service levels are maintained. The Company has implemented GPS tracking tools and route optimization systems to optimize the density of its routes. Furthermore, the Company has significantly reduced its operating costs to mitigate the decline in sales.

Miami Operations

On December 31, 2012, the Company committed to a plan to sell the Miami business acquired on July 13, 2012. Given the geographic location of the business in relation to the Company's other corporate locations, the Company decided that the customers would be best served by locations in closer proximity to Miami. The Company also determined that the Miami location might also be required to invest in infrastructure and additional staff to run the operations effectively, which would result in lower cash flow margins. The Company is currently negotiating the sale of the business. The Company has classified the Miami business as a disposal group held for sale and as a discontinued operation. The Company earns royalty and service fees on the gross Miami revenues and rental revenue for the use of the shredding vehicle. The Company incurs finance costs on the monthly truck loan payments and depreciation and amortization on the Miami tangible and intangible assets. The Company's rental revenues and expenses from the Miami business that are associated with the disposal group are presented below:

| For the three months ended, | March 31, 2013 | March 31, 2012 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Revenue | 17,887 | – |
| Expenses | | |
| Operating expenses | (3,322) | – |
| Depreciation and amortization | (9,558) | – |
| | <u>(12,880)</u> | <u>–</u> |
| Income from discontinued operations | 5,007 | – |
| Finance costs | (1,669) | – |
| Income for the period associated with the disposal group | <u>3,338</u> | <u>–</u> |

Depreciation and Amortization

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

Depreciation and amortization are as follows:

| | <i>3 months ended March 31</i> | | |
|---|--------------------------------|----------------|--------------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Depreciation and amortization – equipment | 54,218 | 62,219 | (13)% |
| Depreciation and amortization – intangibles | 57,283 | 81,926 | (30)% |
| Depreciation and amortization | <u>111,501</u> | <u>144,145</u> | <u>(23)%</u> |

Operating loss

For the three months ended March 31, 2013, the Company posted an operating loss of \$181,740. During the three months ended March 31, 2013, in comparison to the prior period, the Company significantly reduced its' corporate store costs and its' general, administrative and marketing costs. In the three months ended March 31, 2012, the Company earned \$93,487 in franchise fees which were not earned in the three months ended March 31, 2013. For the three months ended March 31, 2012, the operating loss excluding one-time costs excludes professional fees of \$69,262 related to the past and current litigation.

| | <i>3 months ended March 31</i> | | |
|--|--------------------------------|---------|-------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Operating loss | 181,740 | 176,813 | (3)% |
| Operating loss— excluding one-time costs | 181,740 | 107,551 | (69)% |

Foreign exchange

Foreign exchange (gain) loss was as follows:

| | <i>3 months ended March 31</i> | | |
|------------------------------|--------------------------------|---------|------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Foreign exchange (gain) loss | (116,547) | 108,696 | 207% |

All of Redishred's revenues are denominated in US dollars; this dependency on US dollar revenues causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar or when the Company incurs significant US dollar costs. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses.

Interest income and expense

Interest income is derived from cash savings accounts held by the Company and by way of finance income related to the financing of franchise fees. Interest expense relates to the use of the Company's line of credit facility which bears interest at 10% per annum, interest on the truck loan agreements, which bear interest at 6.502% to 8.14% per annum and interest on the convertible debentures at 9.5%. Interest expense increased in 2013 as a result of the following factors: the use of the line of credit to acquire the Miami business on July 13, 2012; the interest on the convertible debentures issued on December 31, 2012 and for general business purposes.

| | <i>3 months ended March 31</i> | | |
|---|--------------------------------|-----------|--------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Interest income | 2,645 | 481 | 450% |
| Interest expense | (164,757) | (138,367) | (19)% |
| Interest expense related to discontinued operations | (1,669) | — | (100)% |

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 three months ended March 31, 2013, the Company booked a tax recovery of \$12,369. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC.

Net Loss

| | <i>3 months ended March 31</i> | | |
|------------------------------------|--------------------------------|---------|-------|
| | 2013 | 2012 | %Ch |
| | \$ | \$ | |
| Net loss | 220,417 | 823,470 | (73)% |
| Net loss— excluding one-time costs | 220,417 | 403,508 | (45)% |

For the three months ended March 31, 2012, net loss includes \$350,700 loss on settlement of the pre-existing franchise relationship related to the acquisition of New York City. Net loss excluding one-time costs excludes the loss on settlement of the pre-existing franchise relationship and one-time legal costs associated with the defence of the past and current litigation of \$69,262.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2013**

Selected Quarterly Results

| <i>(in CDN except where noted)</i> | 2013 | | 2012 | | | 2011 | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| System sales (USD) | 4,023,517 | 3,754,629 | 3,738,939 | 3,751,552 | 3,622,856 | 3,474,657 | 3,978,639 | 3,951,035 |
| Total Company revenue | 919,283 | 919,809 | 1,073,287 | 965,831 | 1,101,050 | 1,083,597 | 757,315 | 827,278 |
| Franchise and license fees | 1,165 | 70,595 | 140,033 | - | 93,487 | 371,381 | - | 61,989 |
| Royalty and service fees | 232,349 | 210,420 | 203,609 | 208,285 | 201,627 | 229,033 | 243,535 | 242,222 |
| Total revenue from franchising and licensing | 233,514 | 281,015 | 343,642 | 208,285 | 295,114 | 600,414 | 243,535 | 304,211 |
| On-going operating costs | (379,770) | (441,772) | (343,330) | (420,524) | (402,470) | (495,516) | (409,908) | (391,075) |
| One-time costs | - | (22,222) | (62,223) | (55,254) | (69,262) | (151,525) | (315,541) | (87,680) |
| Broker fees | - | (24,139) | (43,950) | - | - | (98,197) | - | (23,406) |
| Interest expense | (13,027) | - | - | - | - | - | - | - |
| Total operating expenses | (392,797) | (488,133) | (449,503) | (475,778) | (471,732) | (745,237) | (725,449) | (502,161) |
| Total operating income (loss) – franchising and licensing | (159,283) | (207,118) | (105,861) | (267,493) | (176,618) | (144,823) | (481,914) | (197,950) |
| Corporate locations revenue | 674,616 | 638,794 | 729,645 | 757,546 | 805,936 | 483,183 | 513,780 | 523,067 |
| Corporate locations operating costs | (489,442) | (509,561) | (611,075) | (601,950) | (605,545) | (316,772) | (288,551) | (305,339) |
| Corporate locations EBITDA | 185,174 | 129,233 | 118,570 | 155,596 | 200,391 | 166,411 | 225,229 | 217,728 |
| Depreciation – tangible assets | (54,218) | (39,044) | (67,667) | (62,291) | (62,219) | (34,271) | (32,507) | (33,975) |
| Interest expense | (153,413) | (161,915) | (151,488) | (140,199) | (138,367) | (78,240) | (70,322) | (69,559) |
| Total operating income (loss) - corporate | (22,457) | (71,726) | (100,585) | (47,894) | (195) | 53,900 | 122,400 | 114,194 |
| Total operating income (loss) – excluding one-time costs - Company | (181,740) | (256,629) | (144,223) | (260,133) | (107,551) | 60,602 | (43,973) | 3,925 |
| Income (loss) before taxes from continuing operations | (236,124) | (1,127,760) | (598,083) | (434,076) | (842,160) | 324,925 | (312,605) | (245,583) |
| Income (loss) attributable to owners of the parent | (220,417) | (969,287) | (591,396) | (418,385) | (823,470) | 423,409 | (309,946) | (244,583) |
| Income (loss) excluding one-time costs | (220,417) | (179,960) | (561,643) | (363,131) | (403,508) | (14,297) | 5,595 | (156,903) |
| Basic and diluted net income (loss) per share | (.01) | (.04) | (.02) | (.01) | (.03) | .00 | (.01) | (.01) |

Selected Quarterly Results (continued)

Scheduled and unscheduled system sales continue to grow each quarter, driven by the Company's sales and marketing programs that are aimed at educating clients on the legislative requirements to destroy confidential information using a secure on-site solution. As shredding customers are serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. Therefore, the Company experiences higher system sales and related royalty fees and corporate revenues in the 2nd and 3rd quarters of every year and lower system sales and related royalty fees and corporate revenues in the 1st and 4th quarters of every year.

From the last quarter of 2009 to the third quarter of 2011, the price of recycled paper products increased and grew to near record highs to \$247 per ton, on average, in the Proshred system. From the third quarter of 2011 to the second quarter of 2012, paper prices decreased 52% in the Proshred system. During the third and fourth quarter of 2012 the average price of recycled paper was \$135 per ton in the Proshred system. During the three months ended March 31, 2013 the price of recycled paper slightly declined to an average price of \$118 per ton in the Proshred system. Refer to 'Recycling Sales' on page 12.

Balance Sheet

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|----------------------------------|-----------------------|--------------------------|
| | \$ | \$ |
| Working capital | 247,796 | 442,340 |
| Total assets ⁽¹⁾ | 7,413,912 | 7,307,860 |
| Total liabilities ⁽¹⁾ | 8,143,836 | 7,782,856 |

(1) Total asset and liabilities include assets held for sale of \$279,532 and liabilities held for sale of \$97,878 related to the Miami business.

On December 31, 2012, the Company issued \$375,000 convertible, unsecured subordinated, debentures. The debentures have a five year term and a coupon of 7.5% interest per annum payable annually. The debenture holders may defer interest otherwise due and payable until the next interest payment date, in which case such deferred interest payment shall accrue additional interest at 7.5% per annum. Each \$1,000 principal amount of debenture entitles the holder to convert to approximately 3,333 common shares at a conversion price of \$0.30 per share. All of the Debentures have been acquired by insiders of Redishred.

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

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

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

The Company issued no dividends during the year.

Financial Condition, Capital Resources and Liquidity

The Company closely monitors its cash balances and cash flows generated from operations to meet its requirements. The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes. The line of credit is repayable on November 27, 2014 with interest payments due semi-annually. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due over the next twelve months.

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

In addition, the Company has implemented a cost reduction strategy which includes the elimination of its baling facility in New York City and reducing costs throughout its corporate locations. Subsequent to the first quarter of 2013, the Company sold its baling equipment and remaining equipment related to the baling facility closure. The Company has taken a strong sales focused approach and has dedicated sales leads in each corporate location to grow revenues and cash flows. The Company is also negotiating the sale of its Miami business as referred to under the section 'Miami Operations.'

At March 31, 2013, the accounts payable, accrued liabilities and current portions of the notes payable and long-term debt of \$912,953 (December 31, 2012 - \$700,509) are due to be settled within one year from the balance sheet date. It is management's plan to continue its core business strategy of (1) growing its corporate locations, (2) continuing to franchise in the United States and (3) conducting accretive acquisitions. The Company estimates that it will be necessary to award between two and four new franchise locations over the next 12 months in order to achieve a breakeven level of cash-flows. One-time franchise fees from new franchises have historically generated between \$35,000 and \$100,000 per franchise location. Additionally, new franchise locations add to recurring royalty and fee revenues.

The Company has the following lease commitments:

| | |
|-----------------------|----------------|
| | \$ |
| Less than 1 year | 148,528 |
| Between 1 and 5 years | 185,350 |
| Total | 333,878 |

Capital Assets

| <i>As at,</i> | <u>March 31, 2013</u> | <u>December 31, 2012</u> | <u>% Ch</u> |
|----------------|-----------------------|--------------------------|-------------|
| | \$ | \$ | |
| Net book value | 1,300,911 | 1,112,105 | 17% |

During the first quarter of 2013, capital assets (not including intangible assets) increased as a result of the purchase of two new shredding vehicles for its New York City location. The Company currently has \$279,532 in capital assets held for sale related to the Miami acquired assets, which is not included in the figure above.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

Transactions with Related Parties

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. Included in accounts receivable at March 31, 2013, is \$198 (2011 - \$1,945) due from this franchise. During the three months ended March 31, 2013, the Company earned royalty and service fees amounting to \$18,237 (2012 - \$19,312) from this franchise.

The Director's franchise is currently managing on the Company's behalf the Proshred Miami business acquired by the Company. The Company earned royalty and service fees of \$6,733 during the three months ended March 31, 2013 from the Miami operations. Included in accounts receivable at March 31, 2013 is \$1,988 due from the Miami operations.

The Company has a line of credit facility with a related party entity, one of the Company's significant shareholders, for a maximum of \$6.03 million, repayable on November 27, 2014, bearing interest at a fixed rate of 10% per annum. The Company has drawn from its line of credit in order to finance the purchase of its' corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes.

Included in selling, general and administrative expenses for the three months ended March 31, 2013 are insurance premium amounts of \$4,287 (March 31, 2012 - \$6,650) paid to an insurance brokerage firm, a Director of the Company.

On December 31, 2012, the Company obtained equity and debt funding from 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.

Risks and Uncertainties

Please refer to the Redishred 2012 Annual Report for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2012, the Company's fiscal year-end.

Use of estimates and judgements

The preparation of the financial report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant areas of judgements, estimates and assumptions are set out in Note 4 of the consolidated financial statements found in Redishred's 2012 Annual Report. The most significant estimates relate to the impairment and reversals of impairment of tangible and intangible assets. During the most recent interim period, there have been no changes in the Company's accounting policies or procedures and other processes that have materially affected, or are reasonably likely to materially affect, the Company's accounting judgements, estimates and assumptions.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2013, there were 28,884,658 issued and outstanding common shares. As at March 31, 2013 there were 1,423,750 options to acquire common shares and 4,000,000 warrants to acquire common shares. During the three months ended March 31, 2013, 267,500 stock options expired. There have been no stock options granted during the three months ended March 31, 2013 (during the three months ended March 31, 2012 – 5,000). As of May 29, 2013 there are 28,884,658 issued and outstanding common shares, 1,423,750 options to acquire common shares and 4,000,000 warrants to acquire common share. There are 1,250,000 common shares issuable on conversion of the debentures.

Contingencies

During the second quarter of 2010, four franchisees filed a complaint with the United States District Court, South District of New York, which management of the Company believes is without merit. The complaint has listed the following causes of action, (1) breach of contract and breach of the implied covenant of good faith and fair dealing by Proshred Franchising Corp. ("PFC"), (2) fraudulent misrepresentation by PFC, (3) negligent misrepresentation by PFC, and (4) violation of various state laws by PFC. As of March 31, 2013 and May 29, 2013, one franchisee remains in the legal complaint and three franchisees have permanently withdrawn.

The Company intends to vigorously defend against this remaining claim. The Company is strongly of the view that it (1) has not breached any contracts or agreements with its franchisees and has acted in good faith with all franchisees, (2) has not made any fraudulent misrepresentations to any franchisees, (3) has not made any negligent misrepresentations to any franchisees, and (4) has complied with all state laws as well as Federal Trade Commission rules and regulations regarding franchising.

The final outcome with respect to this claim cannot be predicted nor can the costs to defend this claim be quantified with certainty and therefore there can be no assurance that its resolution will not have an adverse effect on the Company's consolidated financial position. No amounts, other than legal costs, have been accrued in these consolidated financial statements relating to this claim.

Dated: May 29, 2013

