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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, 2014 and 2013. Additional information on Redishred, including these documents and the Company's 2013 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at May 28, 2014.

Forward Looking Statements

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

- (i) the Company's ability to achieve certain levels of cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA") as well as meet its financial obligations as they come due over the next twelve months, which may be impacted by:
 - a. the number of new franchises awarded,
 - b. the size of the franchise territories awarded,
 - c. the growth of the system sales achieved by existing and new locations,
 - d. the economic circumstances in certain regions of the United States,
 - e. the number and size of acquisitions,
 - f. the growth of sales achieved in corporate locations,
 - g. the level of corporate overhead,
 - h. the 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; and

- (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.

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

Non-IFRS Measures

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

- System sales are revenues generated by franchisees, licensees and corporately operated locations. The system sales generated by franchisees and licensees drive the Company's royalties. The system sales generated by corporate locations are included in the Company's revenues.
- Same store system sales results, royalty fees and corporate operational results are indicators of performance of franchisees, licensees and corporately operated locations that have been in the system for equivalent periods in 2014 and 2013.
- EBITDA is defined as earnings before interest, taxes, depreciation and amortization. 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, 2014, there were 26 operating Proshred locations in the United States comprised of 113.8 territories. A territory in the United States is defined as a geographic area with 7,000 businesses having 10 or more employees. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s).

The Company operates the Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami locations directly.

As of March 31, 2014, 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, 2014**

The Company's location list is as follows:

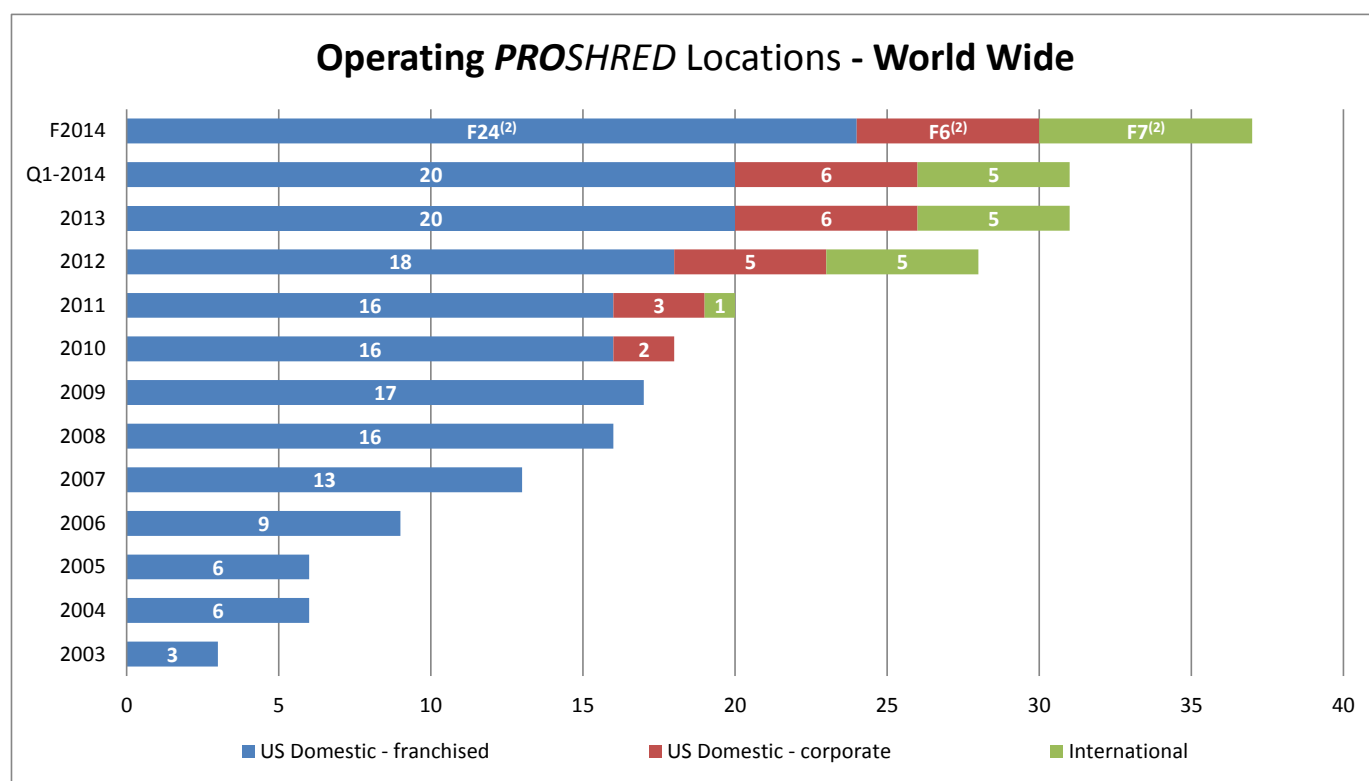
No.	Franchise locations	Operating since	Territories
1.	SPRINGFIELD, MA	June 2003	2.3
2.	TAMPA BAY, FL	March 2004	2.1
3.	DENVER, CO	August 2004	3.8
4.	PHILADELPHIA, PA	September 2006	5.0
5.	KANSAS CITY, MO	December 2006	4.0
6.	NEW HAVEN, CT	April 2007	3.6
7.	CHICAGO, IL (includes North and South Territories)	April 2007	7.2
8.	RALEIGH, NC	June 2007	4.7
9.	BALTIMORE, MD (includes Washington, DC)	November 2007	6.7
10.	N. VIRGINIA, VA	July 2008	3.8
11.	ORANGE COUNTY, CA	September 2009	3.0
12.	SAN DIEGO, CA	October 2010	2.9
13.	INDIANAPOLIS, IN	June 2011	2.6
14.	ATLANTA, GA	January 2012	6.3
15.	PHOENIX, AZ	January 2012	4.2
16.	DALLAS, TX	March 2012	6.3
17.	HOUSTON, TX	November 2012	5.7
18.	RICHMOND, VA	March 2013	3.2
19.	SAN FRANCISCO/SAN JOSE, CA	October 2013	6.3
20.	SEATTLE, WA	October 2013	3.4
<i>Franchised territories in operation</i>			87.1
No.	Corporate locations	Operating since	Territories
21.	SYRACUSE, NY	March 2004 ⁽¹⁾	2.5
22.	ALBANY, NY	April 2003 ⁽¹⁾	1.2
23.	MILWAUKEE, WI	August 2003 ⁽¹⁾	2.7
24.	NEW YORK CITY, NY (includes Long Island, NY)	January 2008 ⁽¹⁾	11.3
25.	MIAMI, FL	June 2008 ⁽¹⁾	5.7
26.	CHARLOTTE, NC	April 2006 ⁽¹⁾	3.3
<i>Corporate territories in operation</i>			26.7
Grand Total			113.8
No.	Pending franchise locations	Expected Operation	Territories
1.	SOUTHERN NEW JERSEY	May 2014	3.6

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

**REDISHRED CAPITAL CORP.
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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, 2014.

Performance Compared to 2014 Goals and Objectives

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

2014 Goals and Objectives	Performance during the three months ended March 31, 2014	Comments
Grow system sales from all locations by 8% to \$18.5M USD compared to 2013.	<p>Total system sales were \$4.59M during the first quarter of 2014. During the three months ended March 31, 2014, system sales grew by 14% in comparison to the comparative 2013 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 26% (same store sales grew by 19%); • recycling system sales grew by 2% (same store sales decreased by 1%). 	Redishred is on target for achieving its annual goal.
Award at least four franchise locations.	During the three months ended March 31, 2014, the Company did not award any new franchise locations. However the Company recognized the franchise fee revenue for its Southern New Jersey franchisee in January of 2014.	Redishred has revised its goal to three franchise locations.
Achieve a minimum of \$1.5M in EBITDA from existing Corporate locations (Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami).	Redishred earned \$517,140 in EBITDA from its Corporate locations during the three months ended March 31, 2014.	Redishred is on target for achieving its annual goal.

Overall Performance

Selected Financial Data and Results of Operations

The following table shows selected financial data for the 3 months ended March 31, 2014 and 2013.

	2014	2013	Percentage change
	\$	\$	%
Corporate location data⁽¹⁾:			
Corporate location revenue	1,157,734	674,616	72%
Corporate location operating costs	(640,594)	(489,442)	31%
Corporate location EBITDA	517,140	185,174	179%
Depreciation – tangible assets	(94,746)	(54,218)	75%
Interest expense	(202,092)	(153,413)	32%
Operating income (loss) from corporate locations	220,302	(22,457)	1081%
Franchise data:			
Franchise and license fees	69,788	1,165	5890%
Royalties and service fees	258,058	232,349	11%
Franchise related revenue	327,846	233,514	40%
On-going operating costs	(373,614)	(379,770)	2%
Broker fees	(34,710)	–	(100)%
Interest expense	(8,222)	(13,027)	(37)%
Total operating costs	(416,546)	(392,797)	(6)%
Operating income (loss)	131,602	(181,740)	172%
Net income (loss)	140,653	(220,417)	164%
Income (loss) per share	0.00	(0.01)	164%
System sales	5,059,003	4,054,498	25%
Total Revenue	1,485,580	919,283	62%

(1) The Miami operations are excluded in the three months ended March 31, 2013 results, as the Miami business was jointly operated by Redishred and one of the Company's franchise locations. The Company commenced operations of the Miami location directly on January 1, 2014.

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

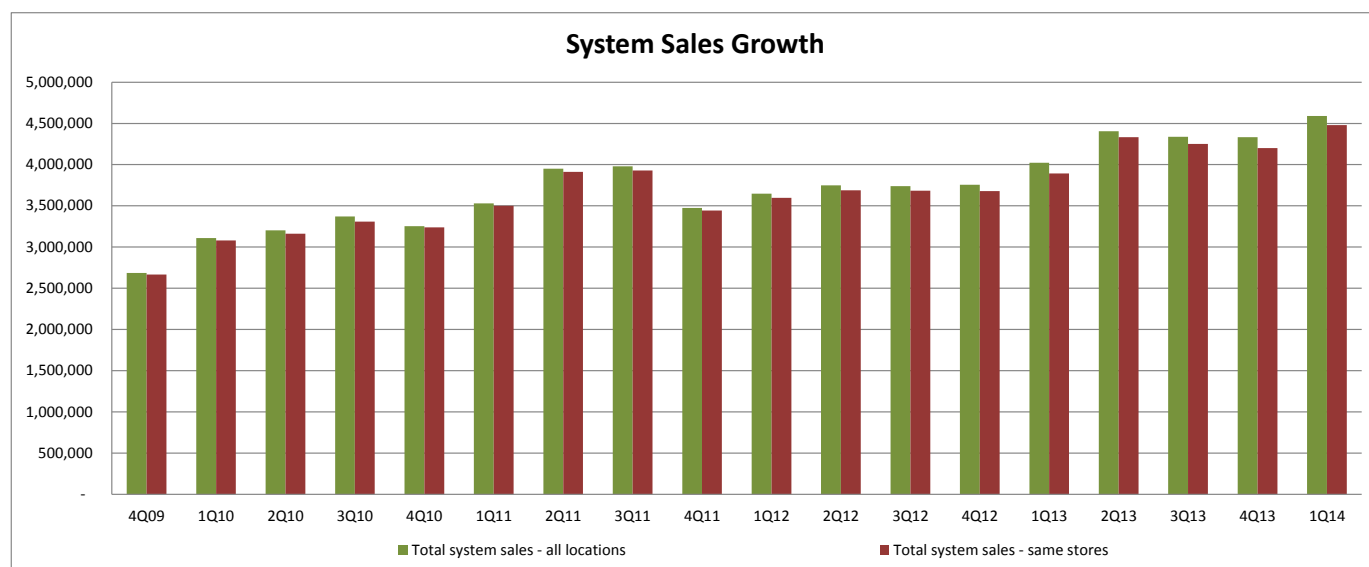
Franchising & Licensing

System Sales

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

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
Total operating locations at period end; US and International	31	29	7%
Operating territories (US only)	113.8	104.1	9%
Total system sales (USD)	\$ 4,591,163	\$ 4,023,517	14%
Total system sales (CDN)	\$ 5,059,003	\$ 4,054,498	25%

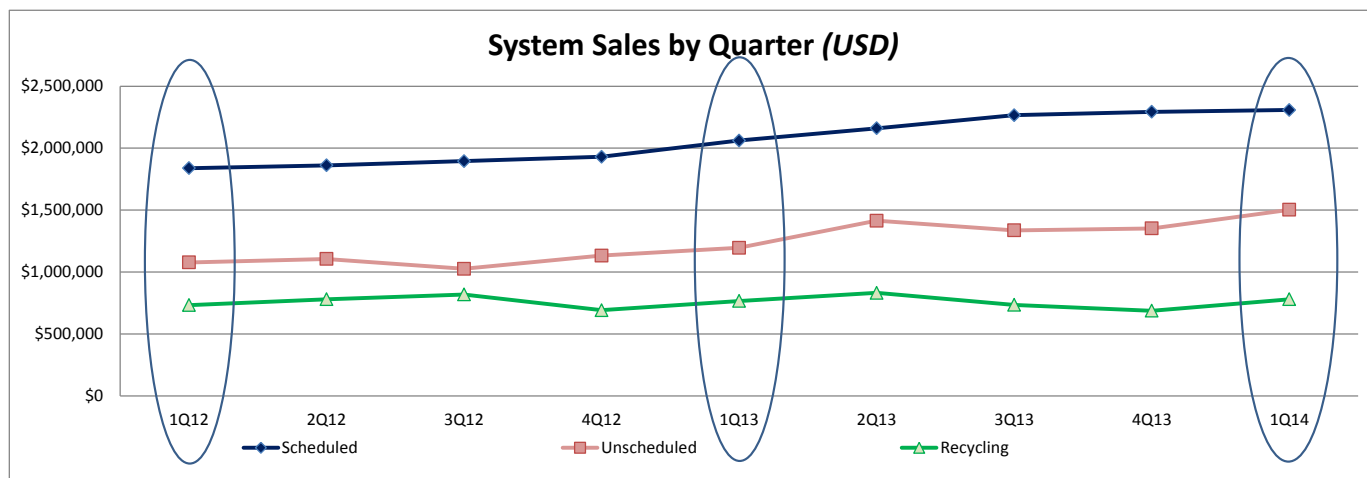
The following chart illustrates system sales growth in USD by quarter since the 4th quarter of 2009.



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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\$3,811,074 for the first quarter of 2014, growing by US\$553,659 or 17% over the first quarter of 2013.

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 2014 versus the same quarter in 2013. For the three months ended March 31, 2014, scheduled sales reached a record high of US\$2,308,594.

	3 months ended March 31		
	2014	2013	%Ch
	\$	\$	
Scheduled service sales (USD)	2,308,594	2,061,747	12%
Same store scheduled service sales (USD)	2,296,050	2,061,747	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, 2014, unscheduled sales reached a record high of \$1,502,480, growing 26% over the same period in 2013.

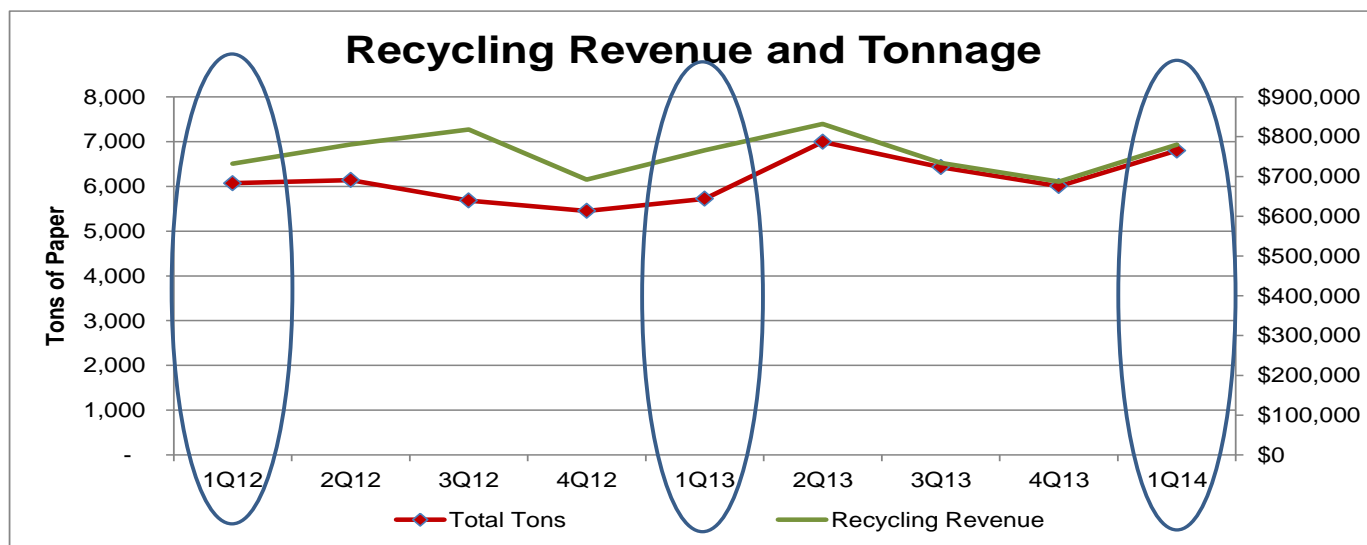
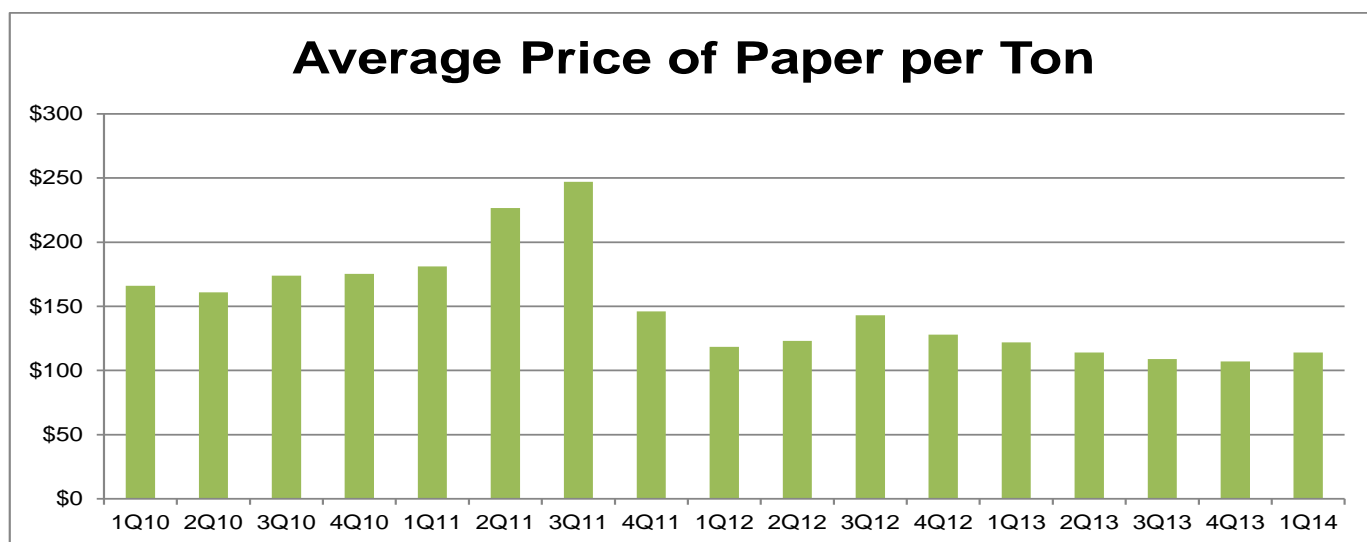
	3 months ended March 31		
	2014	2013	%Ch
	\$	\$	
Unscheduled service sales (USD)	1,502,480	1,195,668	26%
Same store unscheduled service sales (USD)	1,423,880	1,195,668	19%

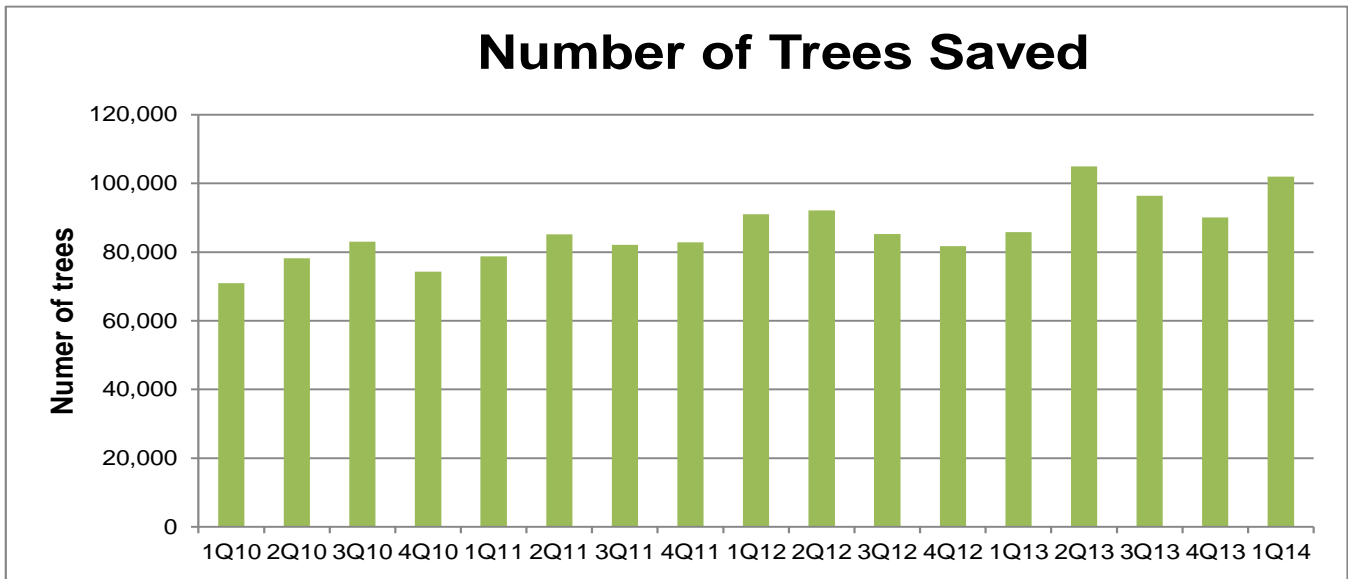
**REDISHRED CAPITAL CORP.
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Recycling sales:

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. During the three months ended March 31, 2014, the price of recycled paper increased by 7% from the fourth quarter of 2013 to an average price of \$114 per ton in the Proshred system. During the three months ended March 31, 2014, the system shredded and recycled 6,800 (March 31, 2013 – 5,700) tons of paper, which equates to 102,000 (March 31, 2013 – 85,000) trees being saved.

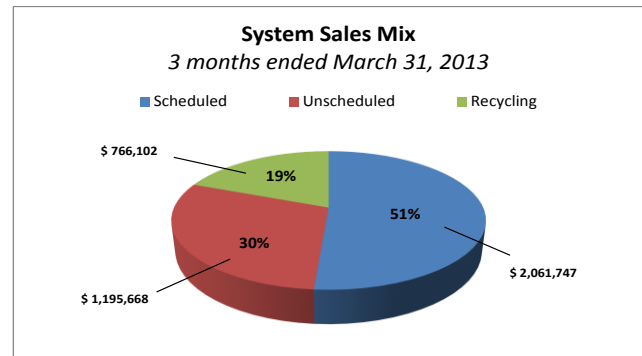
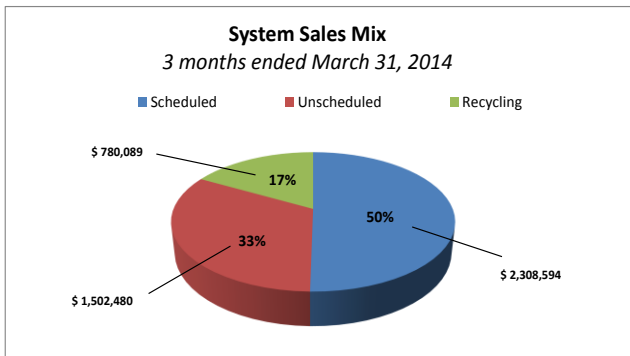
	3 months ended March 31		
	2014	2013	%Ch
	\$	\$	
Recycling sales (USD)	780,089	766,102	2%
Same store recycling sales (USD)	759,819	766,102	(1)%





Mix of business:

Scheduled sales account for 50% of total sales for the quarter ended March 31, 2014 (March 31, 2013 – 51%). Unscheduled sales account for 33% of total sales for the three months ended March 31, 2014 (March 31, 2013 – 30%). Recycling sales account for 17% of total sales for the quarter ended March 31, 2014 (March 31, 2013 – 19%).



**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Total Franchising Revenues

	<i>3 months ended March 31</i>		
	2014	2013	% Ch
	\$	\$	
Franchise and license fees	69,788	1,165	5890%
Royalty and service fees	258,058	232,349	11%
Total franchise and license related revenue	327,846	233,514	40%

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 2014 were higher than in 2013 by 11% due to increased system sales, including scheduled, unscheduled and recycling system sales (refer to 'System Sales'). Franchise and license fees include the franchise fee recognized in January 2014 for the Southern New Jersey franchisee.

The Company earns all franchise and license related revenues in US dollars which are translated at the average exchange rate for the period. For the three months ended March 31, 2014, franchise and license related revenue denominated in US dollars was US\$297,529.

Operating Expenses

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
	\$	\$	
Salaries	205,916	205,923	0%
General, administrative and marketing – on-going	167,698	173,847	4%
Broker fees	34,710	—	(100)%
Interest expense	8,222	13,027	37%
Total operating expenses	416,546	392,797	(6)%

Operating expenses for the three months ended March 31, 2014 include expenses to support 26 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. The broker fee relates to the Southern New Jersey franchisee awarded in January of 2014. Interest expense includes interest on the convertible debentures issued on December 31, 2012. The Company continues to closely monitor and control all operating expenses.

Amortization – Franchising

Amortization relate to the purchase of Professional Shredding Corporation ("PSC") and the Proshred franchise business in 2008. For the three months ended March 31, 2014, amortization of intangibles related to the franchise and license operations increased over the prior period due to the reversal of previously recorded impairment of intangible assets of \$431,180 at December 31, 2013. Amortization is as follows:

	<i>3 months ended March 31</i>		
	2013	2012	%Ch
	\$	\$	
Amortization – intangible assets	135,964	109,517	(24)%

Corporate Operations

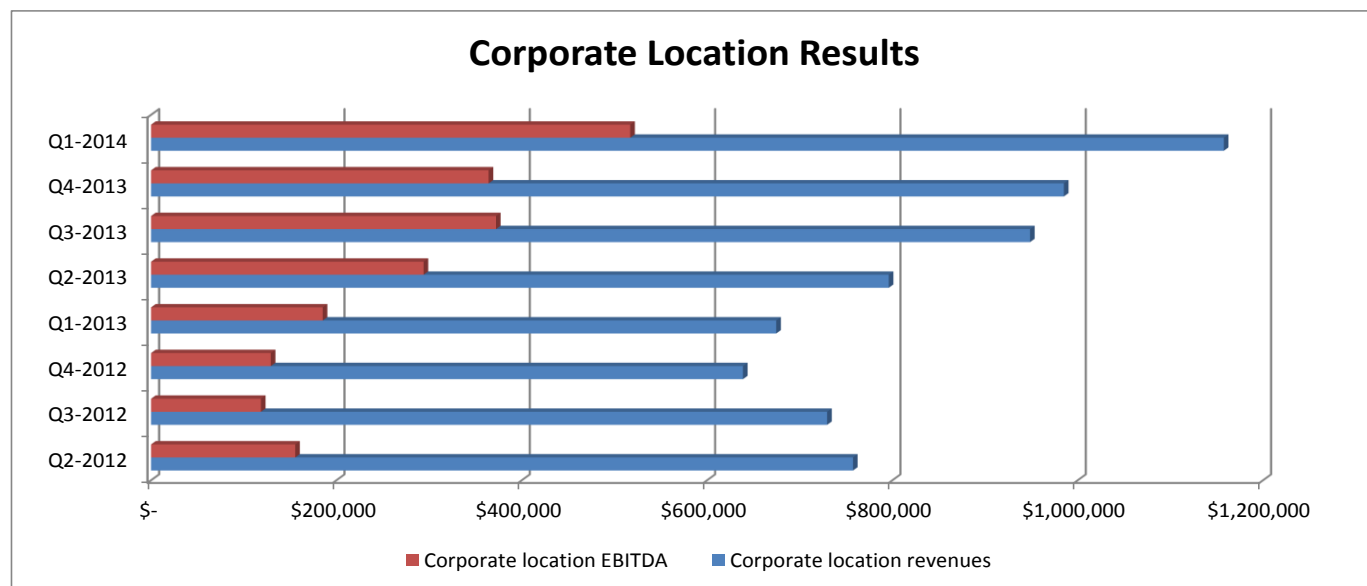
The Company operates six shredding operations in Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami. These locations represent the Company's corporately owned locations. During the three months ended March 31, 2014, the corporate location revenues grew by 72% over the same comparative prior year period. The Company has also increased EBITDA by 179% over the three months ended March 31, 2013.

Same store corporate store results are indicators of performance of corporate stores that have been in the system for equivalent periods in 2014 and 2013. Same store corporate results include the operations of Syracuse, Albany, Milwaukee and New York City. During the three months ended March 31, 2014, the same store corporate location revenue grew by 14% and operating costs were reduced by 12%. This led to an increase in EBITDA of 74%.

During the three months ended March 31, 2013, the Miami business was jointly operated by Redishred and one of the Company's franchise locations. The Miami results for the three months ended March 31, 2013 are excluded from the below.

For the 3 months ended March 31,	<i>All corporate locations</i>				<i>Same store corporate locations</i>			
	2014	% of revenue	2013	% of revenue	2014	% of revenue	2013	% of revenue
	\$		\$		\$		\$	
Revenue:								
Shredding service	952,301	82%	547,581	81%	646,025	84%	547,581	81%
Recycling	205,433	18%	127,035	19%	122,150	16%	127,035	19%
Total revenue	1,157,734	100%	674,616	100%	768,175	100%	674,616	100%
Operating costs	640,594	55%	489,442	73%	433,105	56%	489,442	73%
EBITDA	517,140	45%	185,174	27%	335,070	44%	185,174	27%

Shredding service and recycling revenue is generated by the corporate locations in Albany, Syracuse, Milwaukee, New York City, Charlotte and Miami. 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, 2014, shredding service and recycling revenues, denominated in US dollars were US\$1,050,670.



Depreciation and Amortization

Depreciation and amortization relates to the assets purchased in relation to the Syracuse, Albany, Milwaukee, New York City, Charlotte and Miami corporate locations. The increase in depreciation and amortization in the first quarter of 2014 over the prior period is due to the acquisition of the Charlotte assets on July 31, 2013.

Depreciation and amortization are as follows:

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
	\$	\$	
Depreciation and amortization – equipment	94,746	63,776	49%
Depreciation and amortization – intangibles	74,095	57,283	29%
Depreciation and amortization	168,841	121,059	39%

Operating income (loss)

For the three months ended March 31, 2014, the Company posted an operating income of \$131,602. During the three months ended March 31, 2014, in comparison to the prior period, the Company significantly reduced its corporate store costs. In addition, the Company acquired the Charlotte location on July 31, 2013, which has resulted in additional positive income. The Company also recognized the franchise fee revenue associated with the Southern New Jersey franchisee in January of 2014.

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
	\$	\$	
Operating income (loss)	131,602	(181,740)	172%

Foreign exchange

Foreign exchange gain was as follows:

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
	\$	\$	
Foreign exchange gain	(205,279)	(118,475)	73%

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 2014 as a result of the interest incurred on the loans used to purchase the Charlotte location on July 31, 2013.

	<i>3 months ended March 31</i>		
	2013	2013	%Ch
	\$	\$	
Interest income	2,149	2,645	(19)%
Interest expense	(210,314)	(166,426)	26%

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, 2014, the Company booked a tax recovery of \$13,525. The recovery is primarily due to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC.

Net income (loss)

	<i>3 months ended March 31</i>		
	2014	2013	%Ch
	\$	\$	
Net income (loss)	140,653	(220,417)	164%

The Company posted a net income of \$140,653 during the three months ended March 31, 2014, which was an improvement of 164% over the comparative prior period. The Company's corporate locations produced net income during the first quarter of 2014 including the newly acquired Charlotte business purchased on July 31, 2013. The Company also began operating the Miami business directly on January 1, 2014 which resulted in additional net income.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2014**

Selected Quarterly Results

<i>(in CDN except where noted)</i>	2014		2013			2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
System sales (USD)	4,591,163	4,332,480	4,337,484	4,406,210	4,023,517	3,754,629	3,740,088	3,747,490
Total Company revenue	1,485,580	1,224,926	1,463,870	1,061,004	919,283	926,634	1,085,045	965,831
Franchise and license fees	69,788	4,047	264,205	1,394	1,165	70,595	140,032	-
Royalty and service fees	258,058	235,721	251,040	258,469	232,349	210,420	203,609	208,285
Total revenue from franchising and licensing	327,846	239,768	515,245	259,863	233,514	281,015	343,641	208,285
On-going operating costs	(373,614)	(419,413)	(391,589)	(394,903)	(379,770)	(441,772)	(343,330)	(399,817)
One-time costs	-	(84,213)	-	-	-	(22,222)	(62,223)	(77,791)
Broker fees	(34,710)	(570)	(84,551)	-	-	(24,139)	(43,950)	-
Interest expense	(8,222)	(8,950)	(8,215)	(8,220)	(13,027)	-	-	-
Impairment of note receivable	-	(14,453)	-	-	-	-	-	-
Total operating expenses	(416,546)	(527,599)	(484,355)	(403,123)	(392,797)	(488,133)	(449,503)	(477,608)
Total operating income (loss) – franchising and licensing	(88,700)	(287,831)	30,890	(143,260)	(159,283)	(207,118)	(105,862)	(269,323)
Corporate locations revenue ⁽¹⁾	1,157,734	980,081	937,034	789,584	674,616	649,944	737,078	757,546
Corporate locations operating costs ⁽¹⁾	(640,594)	(620,107)	(576,365)	(496,776)	(489,442)	(509,825)	(612,642)	(601,950)
Corporate locations adjusted EBITDA⁽¹⁾	517,140	359,974	360,669	292,808	185,174	140,119	124,436	155,596
Depreciation – tangible assets ⁽¹⁾	(94,746)	(89,647)	(89,694)	(50,468)	(54,218)	(55,038)	(67,667)	(62,291)
Interest expense ⁽¹⁾	(202,092)	(190,047)	(168,783)	(160,491)	(153,413)	(165,092)	(151,488)	(140,199)
Total operating income (loss) – corporate⁽¹⁾	220,302	80,280	102,192	81,849	(22,457)	(80,011)	(94,719)	(46,894)
Total operating income (loss) – excluding one-time costs – Company⁽¹⁾	131,602	(123,338)	133,082	(64,411)	(181,740)	(264,907)	(138,358)	(238,426)
Income (loss) before taxes from continuing operations	127,128	465,654	(214,397)	(80,840)	(232,786)	(1,127,761)	(598,083)	(434,076)
Income (loss) attributable to owners of the parent	140,653	462,719	(214,588)	(68,280)	(220,417)	(969,287)	(591,396)	(418,385)
Income (loss) excluding one-time items	140,653	(129,749)	(214,588)	(68,280)	(220,417)	(131,162)	(561,643)	(363,131)
Basic and diluted net income (loss) per share	.00	.02	(.01)	(.00)	(.01)	(.04)	(.02)	(.01)

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

Selected Quarterly Results (continued)

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

Balance Sheet

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
	\$	\$
Working capital	(348,622)	(322,594)
Total assets	9,071,180	8,983,915
Total liabilities	9,559,848	9,557,695

The Company did not declare any dividends during the period.

Financial Condition, Capital Resources and Liquidity

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

Line of Credit

The Company has drawn from its line of credit in order to finance the purchase of its corporate locations including Syracuse, Albany, Milwaukee in 2010 and New York City and Miami in 2012 as well as for general business purposes. During September of 2013, the Company signed an amendment to its existing line of credit facility, extending the facility's term for an additional three years to November 27, 2017. The interest remains at 10% per annum, paid semi-annually and the facility remains at \$6.03 million. The Company has \$50,000 available for use on its line of credit as of March 31, 2014.

Financial Strategy

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

At March 31, 2014, current liabilities of \$1,504,802 (December 31, 2013 - \$1,430,600) are due to be settled within one year from the balance sheet date. It is management's plan to continue its core business strategy of (1) growing its corporate locations, (2) continuing to franchise in the United States and (3) conducting accretive acquisitions.

**REDISHRED CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2014**

The Company has the following lease commitments:

	\$
Less than 1 year	185,809
Between 1 and 5 years	436,218
Total	622,027

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

Capital Assets

<i>As at,</i>	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>% Ch</u>
	\$	\$	
Net book value	2,209,696	2,195,083	1%

During the first quarter of 2014, capital assets (not including intangible assets) increased as a result of the purchase of bins and shredding containers for its corporate locations.

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, 2014, is \$nil (March 31, 2013 - \$1,945) due from this franchise. During the three months ended March 31, 2014, the Company earned royalty and service fees amounting to \$25,078 (2013 - \$18,237) from this franchise.

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

Included in selling, general and administrative expenses for the three months ended March 31, 2014 are insurance premium amounts of \$4,592 (March 31, 2013 - \$4,287) paid to an insurance brokerage firm, managed by a Director of the Company.

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

In order to finance the purchase of the Proshred Charlotte franchise on July 31, 2013, the Company entered into the following loan agreements with certain members of the Company's Board of Directors and their affiliates:

- (a) A 5 year loan and security agreement in the amount of CAD\$525,750 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (b) A 5 year loan and security agreement in the amount of US\$75,000 maturing July 31, 2018. The loan bears interest at 9% per annum with interest payable semi-annually;
- (c) A 4 year loan and security agreement in the amount of CAD\$100,000 with monthly blended payments of principal and interest of CAD\$2,488 maturing July 31, 2017. The loan bears interest at 9% per annum;
- (d) A 4 year loan and security agreement in the amount of US\$50,000 with monthly blended payments of principal and interest of US\$1,244 maturing July 31, 2017. The loan bears interest at 9% per annum; and
- (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 US\$465,978 at March 31, 2014. The value of the loan on March 31, 2014 is US\$438,887.

Risks and Uncertainties

Please refer to the Redishred 2013 Annual Report for a listing of all risks and uncertainties. There have been no material changes relating to the Company's risks and uncertainties since December 31, 2013, the Company's fiscal year-end.

Use of estimates and judgements

The preparation of the financial report in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant areas of judgements, estimates and assumptions are set out in Note 4 of the consolidated financial statements found in Redishred's 2013 Annual Report. The most significant estimates relate to the impairment and reversals of impairment of tangible and intangible assets. During the most recent interim period, there have been no changes in the Company's accounting policies or procedures and other processes that have materially affected, or are reasonably likely to materially affect, the Company's accounting judgements, estimates and assumptions.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2014, there were 28,884,658 issued and outstanding common shares. As at March 31, 2014 there were 1,467,500 options to acquire common shares and 4,000,000 warrants to acquire common shares. No stock options expired during the three months ended March 31, 2014. There have been 5,000 stock options granted during the three months ended March 31, 2014 (during the three months ended March 31, 2013 – nil). As of May 28, 2014 there are 28,884,658 issued and outstanding common shares, 1,467,500 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

On February 14, 2014, all claims against the Company were dismissed. During the second quarter of 2010, four franchisees filed a complaint with the United States District Court, South District of New York. As of December 31, 2013, three franchisees permanently withdrew from the legal complaint and the remaining litigant's claim was dismissed by the United States District Court on September 4, 2013. In October 2013, the franchisee issued an appeal to the Federal Courts. On February 14, 2014, the franchisee dismissed the appeal to the Federal Courts.

Dated: May 28, 2014

