

RediShred Capital Corp.

Consolidated Interim Financial Statements

June 30, 2018 and 2017

(Unaudited – Prepared by Management)

(expressed in Canadian dollars)

August 21, 2018

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, 2018.

RediShred Capital Corp.

Consolidated Statements of Financial Position

As at June 30, 2018 and December 31, 2017

(expressed in Canadian dollars)

	June 30, 2018	December 31, 2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,819,915	2,245,533
Cash attributable to the Advertising Fund (note 3)	185,080	193,776
Trade and other receivables (note 4)	1,139,934	972,987
Prepaid expenses	203,638	160,791
Notes receivable	135,890	84,988
	<u>3,484,457</u>	<u>3,658,075</u>
Non-current assets		
Notes receivable	6,975	19,238
Equipment (note 6)	4,093,768	3,772,234
Intangible assets (note 7)	2,585,163	1,878,120
Goodwill (note 8)	1,889,590	1,720,437
Deferred tax asset (note 16)	703,502	457,728
	<u>9,278,998</u>	<u>7,847,757</u>
Total assets	<u>12,763,455</u>	<u>11,505,832</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	921,730	913,594
Current income taxes payable	60,346	51,193
Current portion of notes payable (note 9)	97,366	122,357
Current portion of contingent consideration (note 10)	164,370	44,790
Current portion of long-term debt (note 11)	1,167,503	1,114,882
	<u>2,411,315</u>	<u>2,246,816</u>
Non-current liabilities		
Long-term notes payable (note 9)	18,328	26,206
Contingent consideration (note 10)	-	20,105
Long-term debt (note 11)	2,307,147	2,522,261
	<u>2,325,475</u>	<u>2,568,572</u>
Total liabilities	<u>4,736,790</u>	<u>4,815,388</u>
Shareholders' Equity		
Capital stock (note 12)	14,067,211	14,062,379
Contributed surplus	854,962	647,283
Accumulated other comprehensive loss	(794,806)	(747,323)
Deficit	(6,100,702)	(7,271,895)
	<u>8,026,665</u>	<u>6,690,444</u>
Total liabilities and shareholders' equity	<u>12,763,455</u>	<u>11,505,832</u>
Commitments (note 17)		

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, 2018 and 2017

(expressed in Canadian dollars)

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenue (note 13)	3,486,054	3,101,767	6,501,921	5,736,218
Corporate operating locations expenses (note 14)	(1,745,111)	(1,560,621)	(3,228,917)	(2,812,524)
Selling, general and administrative expenses (note 12(d) and 15)	(814,587)	(842,554)	(1,567,361)	(1,417,622)
Income before depreciation	926,356	698,592	1,705,643	1,506,072
Depreciation – tangible assets	(272,585)	(264,391)	(520,096)	(452,219)
Operating income	653,771	434,201	1,185,547	1,053,853
Interest expense	(66,080)	(86,049)	(131,540)	(206,333)
Interest income	1,029	2,019	2,221	4,330
Income before the following	588,720	350,171	1,056,228	851,850
Amortization – intangible assets	(95,367)	(258,575)	(256,090)	(489,499)
Gain on acquisition (note 10)	17,840	–	17,840	–
Foreign exchange gain (loss)	91,295	(152,236)	243,881	(32,519)
Income (loss) before income taxes	602,488	(60,640)	1,061,859	329,832
Income tax recovery (expense) (note 16)	87,575	(47,471)	109,334	(51,073)
Net income (loss) for the period	690,065	(108,111)	1,171,193	278,759
Foreign currency translation income (loss)	27,931	(16,727)	(47,483)	(254,684)
Comprehensive income (loss) for the period	717,994	(124,838)	1,123,710	24,075
Net income (loss) per share				
Basic and diluted	0.015	(0.002)	0.023	0.006
Weighted average number of common shares outstanding – basic	47,527,587	46,990,169	47,519,393	44,651,602
Weighted average number of common shares outstanding – diluted	48,768,214	47,738,369	48,656,570	45,294,824

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

RediShred Capital Corp.

Consolidated Statements of Changes in Equity

For the three and six months ended June 30, 2018 and 2017

(expressed in Canadian dollars)

	Capital stock and warrants \$ (note 12)	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity \$
Balance – January 1, 2017	8,590,995	512,518	(496,250)	(8,088,745)	518,518
Net income for the period	–	–	–	278,759	278,759
Foreign currency translation loss	–	–	(254,684)	–	(254,684)
Comprehensive income for the period	–	–	–	–	24,075
Issue of shares	4,629,350	(92,983)	–	–	4,536,367
Issue of warrants	670,793	–	–	–	670,793
Stock-based compensation	–	276,799	–	–	276,799
Balance – June 30, 2017	13,891,138	696,334	(750,934)	(7,809,986)	6,026,552
Balance – January 1, 2018	14,062,379	647,283	(747,323)	(7,271,895)	6,690,444
Net income for the period	–	–	–	1,171,193	1,171,193
Foreign currency translation loss	–	–	(47,483)	–	(47,483)
Comprehensive income for the period	–	–	–	–	1,123,710
Issue of shares (note 12)	4,832	(2,332)	–	–	2,500
Stock-based compensation (note 12)	–	210,011	–	–	210,011
Balance – June 30, 2018	14,067,211	854,962	(794,806)	(6,100,702)	8,026,665

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, 2018 and 2017

(expressed in Canadian dollars)

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
Cash provided by (used in)	\$	\$	\$	\$
Operating activities				
Net income (loss) for the period	690,063	(108,111)	1,171,193	278,759
Items not affecting cash				
Amortization of tangible and intangible assets	367,704	529,084	776,186	947,833
Stock-based compensation	69,259	276,320	210,011	276,799
Unrealized foreign currency (gain) loss	(35,713)	160,606	(320,902)	155,643
Gain on acquisition	(17,840)	–	(17,840)	–
Income tax recovery	(162,420)	(9,344)	(245,774)	(27,838)
	911,053	848,557	1,572,874	1,631,196
Net change in non-cash working capital balances				
Decrease (increase) in trade receivables	125,385	(71,452)	(82,959)	(212,848)
Decrease (increase) in prepaid expenses	70,260	39,455	(35,967)	(32,283)
(Decrease) in accounts payable and accrued liabilities	(110,724)	(384,711)	(31,156)	(210,207)
(Decrease) in income taxes payable	(359)	–	(43,981)	–
Net cash provided by operations	995,615	431,849	1,378,811	1,175,858
Financing activities				
Borrowings from long-term debt	290,735	622,027	290,735	691,823
Repayment of long-term debt	(274,412)	(168,562)	(533,923)	(4,112,701)
Issuance of capital stock (net of fees)	–	66,501	2,500	4,854,966
Payment of contingent considerations	(13,514)	–	(22,332)	–
(Increase in) repayment of notes receivable from franchisees	(54,817)	22,708	(33,460)	45,380
(Increase in) repayment of notes payable	(34,605)	(24,013)	(65,799)	(34,840)
	(86,613)	518,661	(362,279)	1,444,628
Investing activities				
Acquisitions (note 5)	(1,206,266)	(21,692)	(1,206,266)	(1,105,956)
Cash held by advertising fund	(22,684)	(145,025)	16,481	(5,829)
Purchase of capital assets	(366,901)	(716,605)	(414,502)	(1,146,021)
Proceeds from sale of assets (note 5)	93,645	–	93,645	278,098
	(1,502,206)	(883,322)	(1,510,642)	(1,979,708)
Effect of foreign exchange rate changes on cash	22,594	(80,390)	68,492	(82,629)
Net change in cash for the period	(570,610)	(13,202)	(425,618)	558,149
Cash – Beginning of period	2,390,525	1,582,794	2,245,533	1,011,443
Cash – End of period	1,819,915	1,569,592	1,819,915	1,569,592

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

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(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 6505 Mississauga Road, Suite A, Mississauga, Ontario, L5N 1A6.

Redishred manages and operates the Proshred brand and business platform (“system”) in the United States and internationally. Redishred operates the Proshred system under two business models, (1) franchising in the United States, and (2) via direct ownership of shredding trucks and facilities in seven locations in the United States as of June 30, 2018.

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, 2017, 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, 2018. 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, 2017 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, 2018 were authorized for issue in accordance with a resolution of the Directors on August 21, 2018.

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, 2018, the cash attributable to the Ad Fund amounted to \$185,080 (December 31, 2017 - \$193,776).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

4 Trade and other receivables

Trade receivables include receivables from franchisees and shredding and recycling customers. Other receivables include receivables related to Harmonized sales tax (“HST”) refunds. The trade and other receivables as at June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
	\$	\$
Trade receivables	1,118,028	975,206
Other receivables	24,217	–
Less: Allowance for doubtful accounts	(2,311)	(2,219)
Trade receivables – net	<u>1,139,934</u>	<u>972,987</u>

5 Acquisitions

On April 2, 2018, the Company acquired the Shred Con business located in Up-State New York. The Company conducted the acquisition to increase its long-term cash flows and to increase its market share in the New York market. Included in the purchase was an investment of 50% in a Company called, Baling Green Recycling LLC, which bales the shredded paper of Shred Con. On April 30, 2018, Redishred acquired the remaining 50% of Baling Green Recycling, LLC.

On June 8, 2018, the Company acquired the On Guard Shredding business located in New York City. The Company conducted the acquisition to increase its long-term cash flows and to increase its market share in the New York market. On June 11, 2018, the Company sold the customer assets located in Southern New Jersey to its Southern New Jersey franchisee for US\$79,000.

The purchase price of each acquisition was allocated to the assets acquired (including all intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of the acquisition. The Company translated the fair values of all assets acquired, liabilities assumed and consideration given using the exchange rates on the date of the acquisitions.

The following table outlines the aggregated provisional amounts of the assets purchased and the consideration given on the closing date of the acquisitions. The amounts are net of the sale of customer assets to the Company's Southern New Jersey franchisee.

	CDN \$	USD \$
Exchange rate used	1.29	–
Assets acquired		
Net Working capital	25,800	20,000
Tangible assets	278,640	216,000
Customer relationships	967,500	750,000
Goodwill	95,460	74,000
	<u>1,367,400</u>	<u>1,060,000</u>
Consideration given		
Cash	1,212,600	940,000
Note payable (note 9)	25,800	20,000
Contingent consideration	129,000	100,000
	<u>1,367,400</u>	<u>1,060,000</u>
Acquisition costs (expensed in statement of comprehensive income)	<u>23,429</u>	<u>18,162</u>

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

5 Acquisitions (continued)

As part of the Shred Con purchase price, the Company committed to a note payable of US\$20,000, providing monthly payments of US\$880 over a 24 month period, referred to as the Note Payable. The Company recorded the note payable at fair value in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Subsequent to the acquisition date, the Company has measured the note payable at amortized cost using the effective interest method.

The contingent consideration liability in the acquisitions is tied to the retention of clients over a 6 month period for the On Guard Shredding acquisition and over a 12 month period for the Shred Con acquisition. The fair values of the assets were determined on the basis of observable market prices, where possible. The fair values of the customer relationships were determined by estimating the discounted level of future cash flows anticipated from the recurring customer relationships purchased.

6 Equipment

Cost	Computer	Furniture &	Bins &	Shredding	Shredding	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -		
			containers	chassis	box		
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2017	206,455	106,935	560,763	1,194,219	2,890,634	78,453	5,037,459
Additions	44,901	40,284	71,033	258,590	723,099	24,446	1,162,353
Sale of assets	(219)	(343)	–	(70,212)	(178,490)	–	(249,264)
Acquisitions	3,325	3,325	83,339	227,656	447,574	13,300	778,519
Foreign exchange	(5,446)	(1,457)	(36,307)	(100,836)	(241,251)	(4,673)	(389,970)
As at December 31, 2017	249,016	148,744	678,828	1,509,417	3,641,566	111,526	6,339,097
Additions	16,121	8,511	57,664	125,270	207,791	670	416,027
Acquisitions	–	–	48,375	78,690	108,360	43,215	278,640
Foreign exchange	5,051	1,328	28,962	67,981	160,730	4,215	268,267
As at June 30, 2018	270,188	158,583	813,829	1,781,358	4,118,447	159,626	7,302,031
Accumulated depreciation	Computer	Furniture &	Bins &	Shredding	Shredding	Vehicles	Total
	equipment	fixtures	shredding	vehicles -	vehicles -		
			containers	chassis	box		
	\$	\$	\$	\$	\$	\$	\$
As at January 1, 2017	170,128	92,033	351,158	310,950	821,346	69,297	1,814,912
Depreciation	39,825	13,953	94,168	234,065	545,109	19,107	946,227
Sale of assets	–	–	–	(21,987)	(51,278)	–	(73,265)
Foreign exchange	(3,627)	(868)	(22,929)	(26,415)	(63,527)	(3,645)	(121,011)
As at December 31, 2017	206,326	105,118	422,397	496,613	1,251,650	84,759	2,566,863
Depreciation	13,007	7,277	55,442	128,703	313,765	12,661	530,855
Foreign exchange	3,351	736	18,149	25,277	59,971	3,061	110,545
As at June 30, 2018	222,684	113,131	495,988	650,593	1,625,386	100,481	3,208,263
Net book value							
As at December 31, 2017	42,690	43,626	256,431	1,012,804	2,389,916	27,767	3,772,234
As at June 30, 2018	47,504	45,452	317,841	1,130,765	2,493,061	59,145	4,093,768

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

6 Equipment (continued)

The foreign exchange adjustment is a result of the translation of corporate equipment from US dollar functional currency in the acquiring company to Canadian presentation dollars at June 30, 2018 and December 31, 2017.

7 Intangible assets

Cost	Trademarks					Total
	Franchise agreements	Proshred system	& intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2017	3,119,639	978,000	1,672,500	1,272,879	2,738,080	9,781,098
Acquisitions	–	–	–	45,661	598,500	644,161
Removal of original franchise agreement	(220,759)	–	–	–	–	(220,759)
Foreign exchange	(248,352)	–	–	(83,718)	(207,612)	(539,682)
As at December 31, 2017	2,650,528	978,000	1,672,500	1,234,822	3,128,968	9,664,818
Acquisitions (note 5)	–	–	–	–	967,500	967,500
Sale of assets (note 5)	–	–	–	–	(90,300)	(90,300)
Foreign exchange	340,436	–	–	52,064	146,966	539,466
Fully depreciated	(2,990,964)	(978,000)	(1,672,500)	(1,286,886)	–	(6,928,350)
As at June 30, 2018	–	–	–	–	4,153,134	4,153,134

Accumulated amortization	Trademarks					Total
	Franchise agreements	Proshred system	& intellectual property	Re-acquired franchise rights	Customer relationships	
	\$	\$	\$	\$	\$	\$
As at January 1, 2017	2,782,612	863,891	1,477,365	1,174,277	1,108,274	7,406,419
Amortization	187,035	97,800	167,244	131,269	295,602	878,950
Removal of original franchise agreement	(196,505)	–	–	–	–	(196,505)
Foreign exchange	(156,852)	–	–	(74,950)	(70,364)	(302,166)
As at December 31, 2017	2,616,290	961,691	1,644,609	1,230,596	1,333,512	7,786,698
Amortization	32,584	16,309	27,891	3,743	177,449	257,976
Foreign exchange	342,090	–	–	52,547	56,210	450,847
Fully depreciated	(2,990,964)	(978,000)	(1,672,500)	(1,286,886)	–	(6,928,350)
As at June 30, 2018	–	–	–	–	1,567,171	1,567,171

Net book value

As at December 31, 2017	34,238	16,309	27,891	4,226	1,795,456	1,878,120
As at June 30, 2018	–	–	–	–	2,585,963	2,585,963

The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at June 30, 2018 and December 31, 2017. 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, 2018

(expressed in Canadian dollars)

8 Goodwill

The following table presents goodwill as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
	\$	\$
Opening balance	1,720,437	1,837,398
Acquisition (note 5)	96,940	–
Foreign currency translation	72,213	(116,961)
Closing balance	1,889,590	1,720,437

9 Notes payable

As at June 30, 2018, notes payable is comprised of:

Origination	Initial amount	Payment ⁽¹⁾	Interest per annum	Note value	Maturity
December 31, 2015	US\$100,000	US\$2,997	5.00%	CAD\$23,569 US\$17,992	December 5, 2018
March 31, 2017	US\$125,000	US\$5,208	0.00%	CAD\$68,229 US\$52,083	April 1, 2019
April 2, 2018	US\$20,000	US\$880	5.25%	CAD\$23,896 US\$18,241	April 4, 2020

(1) Blended monthly payments of principal and interest.

10 Contingent consideration

The Company recorded a contingent consideration liability as part of the purchase price in the Buffalo and North Virginia acquisitions conducted in 2017. The contingent consideration liability related to the North Virginia acquisition will be paid if incremental government contract sales are earned over a period of 48 months from the acquisition date. The contingent consideration liability related to the Buffalo acquisition will be paid if certain sales levels from the customers purchased are achieved over a 12 month period from the date of acquisition. During the six month ended June 30, 2018, the Company recorded a gain on acquisition of \$17,840 as the Buffalo sales have been lower than the levels agreed to as part of the contingent consideration.

The Company also recorded contingent consideration liabilities as part of the purchase price in the Shred Con and On Guard Shredding acquisitions conducted during the three months ended June 30, 2018 (refer to note 5). The contingent consideration liabilities are tied to the retention of clients over a 6 month period for the On Guard Shredding acquisition and over a 12 month period for the Shred Con acquisition.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

11 Long-term debt

As at June 30, 2018 and December 31, 2017 long-term debt is comprised of:

	June 30, 2018	December 31, 2017
	\$	\$
Bank indebtedness (i)	1,638,840	1,839,515
Less: deferred financing charges	(132,644)	(148,887)
Net bank indebtedness	1,506,196	1,690,628
Truck loans (ii)	1,708,885	1,628,831
Finance lease liability (iii)	259,569	317,684
Total long-term debt	3,474,650	3,637,143
Less: current portion	(1,167,503)	(1,114,882)
Total long-term debt	2,307,147	2,522,261

(i) Bank indebtedness

The Company has the following secured senior credit facilities:

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

As at June 30, 2018, Bank of Montreal has advanced \$2 million on the non-revolving term loan, of which the current balance is \$1,638,840, at June 30, 2018. The Company has not received an advance on the operating demand loan as at June 30, 2018.

Borrowings under the operating line of credit are limited by standard borrowing base calculations based on accounts receivable, which are typical of such bank credit facilities. \$250,000 of the operating line of credit is permanently available.

The credit facilities are secured by a general security agreement over all present and future assets of the Company and shares of each subsidiary held by the Company.

The bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds. In particular, the facility contains covenants that require the Company to maintain the following:

1. A minimum fixed charge coverage ratio of 1.25:1 which is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA") less cash taxes and unfunded capital expenditures to total principal and interest repayments;
2. A maximum senior funded debt to EBITDA ratio of 2.25:1 which is defined as total senior debt divided by EBITDA;
3. A maximum total funded debt to EBITDA ratio of 2.50:1 which is defined as total debt to EBITDA;
4. Capital expenditures are not to exceed \$1 million in any fiscal year; and
5. Unfunded capital expenditures are not to exceed \$250,000 in any fiscal year.

The ratio covenants are measured at the end of each quarter on a trailing 12 month basis. As at June 30, 2018, the Company was in compliance with all of the banking covenants.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

11 Long-term debt (continued)

The Company has also established a \$1 million USD line of credit for the purchase of shredding vehicles with BMO Transportation Finance in the United States. The line of credit is open for one year, until October 2018 when an annual credit review is completed. The interest rate is based on prevailing market rates at the time the line is used. The Company has received an advance of US\$227,137 during the three months ended June 30, 2018. The Company has US\$772,863 available for use on the line of credit as at June 30, 2018.

(ii) Truck loans

The loans noted below are secured by shredding vehicles. The information presented is as of June 30, 2018:

Origination	Initial amount	Payment ⁽¹⁾	Interest per annum	Asset carrying value	Loan value	Maturity
October 24, 2013	US\$187,950	US\$3,731	7.00%	CAD\$101,515	CAD\$19,264 US\$14,705	October 24, 2018
June 23, 2015	US\$229,039	US\$4,520	6.75%	CAD\$210,712	CAD\$132,441 US\$101,100	June 23, 2020
July 22, 2015	US\$300,000	US\$7,283	7.50%	CAD\$222,527	CAD\$118,690 US\$90,603	July 22, 2019
December 22, 2015	US\$80,000	US\$2,480	7.50%	CAD\$4,133	CAD\$19,075 US\$14,561	December 5, 2018
July 5, 2016	US\$176,546	US\$3,904	6.40%	CAD\$184,087	CAD\$128,154 US\$97,828	September 5, 2020
September 5, 2016	US\$381,572	US\$7,392	5.95%	CAD\$517,388	CAD\$334,149 US\$255,076	August 5, 2021
March 22, 2017	US\$170,581	US\$3,282	5.71%	CAD\$298,851	CAD\$173,510 US\$132,450	March 22, 2022
May 3, 2017	US\$230,956	US\$4,465	5.99%	CAD\$281,585	CAD\$244,524 US\$186,660	May 5, 2022
May 4, 2017	US\$236,456	US\$4,549	5.71%	CAD\$288,379	CAD\$250,201 US\$190,866	May 4, 2022
April 3, 2018	US\$227,137	US\$4,331	5.39%	CAD\$298,610	CAD\$288,875 US\$220,515	April 3, 2023

(1) Blended monthly payments of principal and interest.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

11 Long-term debt (continued)

(iii) Finance lease liability

The finance leases noted below are secured by shredding vehicles. The information presented is as of June 30, 2018:

Origination	Initial amount	Payment ⁽¹⁾	Interest per annum	Asset carrying value	Loan value	Residual ⁽²⁾	Maturity
November 15, 2013	US\$137,035	US\$2,296	7.95%	CAD\$87,263	CAD\$59,498 US\$45,418	US\$37,680	December 20, 2018
July 17, 2014	US\$226,432	US\$3,861	7.62%	CAD\$163,630	CAD\$123,610 US\$94,359	US\$50,610	August 20, 2019
December 22, 2015	US\$170,000	US\$4,364	6.75%	CAD\$44,468	CAD\$76,461 US\$58,368	US\$34,000	January 5, 2019

(1) Blended monthly payments of principal and interest.

(2) The loan value includes the residual value.

Future minimum finance lease payments at June 30, 2018, stated in Canadian dollars, were as follows:

	2018 \$	2019 \$	Total \$
Lease payments	129,086	146,116	275,202
Finance charges	(11,227)	(4,406)	(15,633)
Net present values	117,859	141,710	259,569

At June 30, 2018, the future minimum lease payments have been translated at the closing exchange rate of USD\$1.00 = CAD\$1.31.

(iv) Related party line of credit

The Company has a related party line of credit facility for a maximum amount of \$2.0 million. The line of credit facility matures on July 16, 2022 and bears interest at a fixed rate of 10% per annum. The line of credit is secured by a second in priority general security agreement over the Company's assets. As at June 30, 2018, the facility has not been drawn upon.

12 Capital stock

a) Authorized

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

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

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

12 Capital stock (continued)

b) Issued and fully paid

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

	Common stock		Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance June 30, 2018	47,527,587	13,456,696	1,852,150	610,515	49,379,737	14,067,211
Balance December 31, 2017	47,502,587	13,451,864	1,852,150	610,515	49,354,737	14,062,379

c) Weighted average common shares

The basic weighted average number of common shares outstanding for the six months ended June 30, 2018, was 47,519,393 (December 31, 2017 – 46,017,909). The diluted weighted average number of common shares outstanding for the six months ended June 30, 2018, was 48,656,570 (December 31, 2017 – 47,089,982).

d) Stock options

At June 30, 2018, the Company has 1,790,500 options outstanding (December 31, 2017 – 1,194,000) and a weighted average exercise price of \$0.46 (December 31, 2017 - \$0.39). In the six months ended June 30, 2018, 25,000 stock options were exercised (for the six months ended June 30, 2017 – 1,405,000). There were 617,000 stock options granted during the six months ended June 30, 2018 (for the six months ended June 30, 2017 – 718,000). For the six months ended June 30, 2018, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to \$210,011 (for the six months ended June 30, 2017 – \$276,799).

e) Warrants

The Company issued 2,002,150 warrants on January 23, 2017 as part of a private placement. Each warrant is exercisable into one Common Share at a price of \$0.36 per Common Share for a period of five years and expire on January 23, 2022. The warrants have been classified as equity instruments. The fair values of the warrants were determined using the Black-Scholes option pricing model. There were no warrants exercised during the six months ended June 30, 2018 (150,000 – during the six months ended June 30, 2017). There are 1,852,150 warrants outstanding as of June 30, 2018.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

13 Revenue

The revenue earned by the Company is broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Royalties	562,350	522,406	1,071,385	1,050,734
Shredding services	2,353,194	2,147,460	4,473,747	3,897,451
Sale of paper products	570,510	431,901	956,789	788,033
Total revenue	3,486,054	3,101,767	6,501,921	5,736,218

14 Corporate operating locations expenses by nature

The corporate operating locations expenses of the Company are broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Shredding vehicle and related expenses	380,106	318,895	720,123	619,839
Employee wages expense	880,800	808,480	1,594,708	1,415,522
Employee benefit expense	163,557	129,599	310,184	245,769
Office and administration expense	320,648	303,647	603,902	531,394
Total corporate operating expenses	1,745,111	1,560,621	3,228,917	2,812,524

15 Selling, general and administrative expenses by nature

The selling, general and administrative expenses of the Company are broken down as follows:

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Employee wages and benefits	419,530	283,905	748,505	573,036
Share-based compensation	69,259	276,320	210,011	276,799
Professional fees	63,407	56,891	115,829	115,487
Travel	52,952	61,040	104,696	98,054
Technology	81,942	87,099	152,269	185,195
Rent and office expense	44,917	32,503	79,841	70,997
Selling and development	51,778	14,564	91,388	41,988
Other	30,802	30,232	64,822	56,066
Total selling, general and administrative expenses	814,587	842,554	1,567,361	1,417,622

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

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

Compensation of key management

Included in employee wages and benefits and share-based compensation 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>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Wages and benefits	252,898	194,031	463,545	358,062
Share-based compensation	67,404	23,378	206,493	23,792
Total	320,302	217,409	670,038	381,854

Compensation of key management personnel includes the Chief Executive Officer, Chief Financial Officer, Senior Vice President of Corporate Development, Senior Vice President of Operations and the Board of Directors.

16 Income taxes

The Company has incurred Canadian non-capital losses of \$4,362,557 as of December 31, 2017 that can be carried forward to reduce taxes payable in Canada. The losses expire at various times through December 31, 2035. The Company has incurred US non-capital losses of \$1,537,983 as of December 31, 2017 that can be carried forward to reduce taxes payable in the US. The losses expire at various times through December 31, 2036.

	<i>For the 3 months ended June 30</i>		<i>For the 6 months ended June 30</i>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Provision for (recovery of) income taxes is comprised of:				
Current income taxes	74,120	56,814	135,713	78,912
Deferred income taxes	(161,695)	(9,343)	(245,047)	(27,839)
Total	(87,575)	47,471	(109,334)	51,073

17 Commitments

The Company has the following office lease commitments:

Albany, New York	Expires March 31, 2019
North Virginia, Virginia	Expires August 31, 2019
Milwaukee, Wisconsin	Expires August 31, 2020
Ft. Lauderdale, Florida	Expires August 31, 2020
Syracuse, New York	Expires September 30, 2020
Watertown, New York	Expires March 31, 2021
Charlotte, North Carolina	Expires April 30, 2021
New York, New York	Expires June 30, 2022
Mississauga, Ontario	Expires September 30, 2023

Certain contracts include renewal options for various periods of time. For the six months ended June 30, 2018, the Company incurred \$233,471 (six months ended June 30, 2017 - \$178,717) in lease payments as an expense included in 'selling, general and administrative expenses' and 'corporate operating expenses.'

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

17 Commitments (continued)

Non-cancellable operating lease rentals are payable as follows:

	\$
Less than 1 year	502,778
Between 1 and 5 years	<u>1,165,737</u>
Total	<u>1,668,515</u>

18 Financial instruments and fair values

The Company has financial assets that consist of: cash and cash equivalents, cash attributable to the Advertising Fund, trade receivables and notes receivable from franchisees. The Company's financial liabilities include accounts payable and accrued liabilities, notes payable and long-term debt.

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 interest rate risk, as it earns interest at prevailing and fluctuating market rates. The Company has fixed rates on notes receivable from franchisees ranging from 4.25% to 5.25% per annum. The Company also has a variable interest rate of prime plus 2.50% per annum on its Bank of Montreal term loan and prime plus 1.70% per annum on its Bank of Montreal line of credit. The Company's line of credit facility with a related party has a fixed interest rate of 10% per annum. The truck loans have fixed interest rates ranging from 5.39% to 7.95% 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.

Receivables related to franchising

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, 2018, 6 franchisees accounted for 59% of the accounts receivable and notes receivable balance related to franchising (December 31, 2017 - 6 franchises accounted for 59%). For the six months ended June 30, 2018, 3 franchisees accounted for 17% of the Company's revenues related to franchising (December 31, 2017 - 3 franchisees accounted for 18%). As of June 30, 2018, there were no accounts and notes receivable outstanding over 90 days (December 31, 2017 - nil).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

18 Financial instruments and fair values (continued)

Credit risk (continued)

Receivables related to corporate operations (continued)

The accounts receivable are exposed to credit risk from the possibility that customers may experience financial difficulty. At June 30, 2018, no customer accounted for more than 10% of the accounts receivable balance. For the six months ended June 30, 2018 and 2017, no customer accounted for more than 10% of the revenue related to corporate operations. As of June 30, 2018, 2% of accounts receivable related to corporate operations were over 90 days (December 31, 2017 – 6%). As at June 30, 2018, the Company has recorded an allowance for credit losses of \$2,311 (December 31, 2017 - \$2,219). The Company does not have any reason to believe it will not collect all remaining balances.

Foreign exchange risk

The Company has revenues and costs that are denominated in US dollars; this dependency on the US dollar causes foreign exchange gains when the Canadian dollar depreciates versus the US dollar. The Company has significant dollar value assets denominated in US dollars which are revalued at the exchange rate at the date of the statement of financial position, which results in unrealized foreign exchange gains or losses. During the six months ended June 30, 2018, the Company recorded a foreign exchange gain of \$243,881 (during the six months ended June 30, 2017 – loss of \$32,519). Exchange rates utilized (USD to CDN):

As at,	June 30, 2018	December 31, 2017
	\$	\$
Close rate	1.31	1.26
For the six months ended,	June 30, 2018	June 30, 2017
	\$	\$
Average rate	1.28	1.33

Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. 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.

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 current liabilities of \$2,411,315 at June 30, 2018 (December 31, 2017 - \$2,246,816), are due to be settled within one year from the date of the statement of financial position. The Company has current assets of \$3,484,457 at June 30, 2018 (December 31, 2017 - \$3,658,075) including a cash balance of \$1,819,915 (December 31, 2017 - 2,245,533).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

18 Financial instruments and fair values (continued)

Principal	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	847,637	134,439	–	–
Notes payable	35,113	62,253	18,328	–
Long-term debt	292,342	875,313	2,439,640	–
Contingent consideration	60,095	88,728	15,547	–
Interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Notes payable	591	835	273	–
Long-term debt	54,116	135,622	211,192	–
Total principal and interest	Less than 3 months \$	3 months to 1 year \$	2 – 5 years \$	Over 5 years \$
Accounts payable and accrued liabilities	847,637	134,439	–	–
Notes payable	35,704	63,088	18,601	–
Long-term debt	346,458	1,010,935	2,650,832	–
Contingent consideration	60,095	88,728	15,547	–

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, 2018, amounted to \$142,865 (December 31, 2017 - \$104,226) with fair value estimated to be \$141,537 (December 31, 2017 - \$103,075), respectively.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

19 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.

To effectively manage its capital, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has sufficient liquidity to meet its operating and growth objectives. The Company expects its current resources and projected cash flows from continuing operations to support its growth objectives.

The Company has credit facilities with Bank of Montreal which provides an operating line of credit and a non-revolving term loan. The Company's bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds. Refer to note 11 for the financial covenants.

20 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), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate overhead).

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

20 Segment reporting (continued)

Total assets and liabilities by reportable operating segment are as follows:

	Franchising	Corporate locations	Corporate Overhead	Total
	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	117,346	896,264	806,305	1,819,915
Cash attributable to the Ad Fund	185,080	—	—	185,080
Trade and other receivables	175,417	940,301	24,216	1,139,934
Prepaid expenses	21,355	116,841	65,442	203,638
Notes receivable from franchisees	135,890	—	—	135,890
Total current assets	635,088	1,953,406	895,963	3,484,457
Non-current assets				
Notes receivable from franchisees	6,975	—	—	6,975
Equipment	10,445	4,047,036	36,287	4,093,768
Intangible assets	—	2,585,163	—	2,585,163
Goodwill	—	1,889,590	—	1,889,590
Deferred tax asset	—	—	703,502	703,502
Total assets	652,508	10,475,195	1,635,752	12,763,455
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	271,472	375,677	274,581	921,730
Current income taxes payable	—	—	60,346	60,346
Current portion of notes payable	—	97,366	—	97,366
Current portion of long-term debt	—	1,167,503	—	1,167,503
Current portion of contingent consideration	—	164,370	—	164,370
Total current liabilities	271,472	1,804,916	334,927	2,411,315
Non-current liabilities				
Long-term debt	—	2,307,147	—	2,307,147
Long-term note payable	—	18,328	—	18,328
Total liabilities	271,472	4,130,391	334,927	4,736,790

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

20 Segment reporting (continued)

	Franchising	Corporate locations	Corporate overhead	Total
	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017
	\$	\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	280,332	1,049,663	915,538	2,245,533
Cash attributable to the Ad Fund	193,776	—	—	193,776
Trade receivables	138,312	773,641	61,034	972,987
Prepaid expenses	14,636	131,392	14,763	160,791
Notes receivable from franchisees	84,988	—	—	84,988
Total current assets	712,044	1,954,696	991,335	3,658,075
Non-current assets				
Notes receivable from franchisees	19,238	—	—	19,238
Equipment	11,944	3,728,543	31,747	3,772,234
Intangible assets	34,238	1,799,674	44,208	1,878,120
Goodwill	—	1,720,437	—	1,720,437
Deferred tax asset	—	—	457,728	457,728
Total assets	777,464	9,203,350	1,525,018	11,505,832
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	320,888	202,481	390,225	913,594
Current income taxes payable	—	—	51,193	51,193
Current portion of contingent consideration	—	44,790	—	44,790
Current portion of notes payable	—	122,357	—	122,357
Current portion of long-term debt	—	1,114,882	—	1,114,882
Total current liabilities	320,888	1,484,510	441,418	2,246,816
Non-current liabilities				
Long-term debt	—	2,522,261	—	2,522,261
Contingent consideration	—	20,105	—	20,105
Note payable	—	26,206	—	26,206
Total liabilities	320,888	4,053,082	441,418	4,815,388

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

20 Segment reporting (continued)

Geographic information

	June 30, 2018	December 31, 2017
Canada	\$	\$
Tangible assets	36,287	31,747
Intangible assets	—	44,208
United States		
Notes receivable from franchisees	142,865	104,226
Tangible assets	4,057,481	3,740,487
Intangible assets	2,585,163	1,833,912
Goodwill	1,889,590	1,720,437
Total		
Notes receivable from franchisees	142,865	104,226
Tangible assets	4,093,768	3,772,234
Intangible assets	2,585,163	1,878,120
Goodwill	1,889,590	1,720,437

Revenue

All revenues were attributed to the United States.

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

20 Segment reporting (continued)

Net income by operating segment

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

For the three months ended June 30, 2018

	Franchising	Corporate	Corporate	Total
	\$	locations	overhead	\$
		\$	\$	
Revenue	562,350	2,923,704	–	3,486,054
Direct costs	–	(1,745,111)	–	(1,745,111)
Selling, general and administrative	(100,011)	(280,440)	(434,136)	(814,587)
Depreciation – tangible assets	(990)	(266,522)	(5,073)	(272,585)
Operating income (loss)	461,349	631,631	(439,209)	653,771
Amortization – intangible assets	(409)	(94,958)	–	(95,367)
Gain on acquisition	–	17,840	–	17,840
Foreign exchange gain	–	–	91,295	91,295
Interest expense	–	(66,080)	–	(66,080)
Interest income	1,029	–	–	1,029
Income tax (expense) recovery	(25,912)	(2,175)	115,662	87,575
Net income (loss)	436,057	486,258	(232,252)	690,063

For the three months ended June 30, 2017

	Franchising	Corporate	Corporate	Total
	\$	locations	overhead	\$
		\$	\$	
Revenue	522,406	2,579,361	–	3,101,767
Direct costs	–	(1,560,621)	–	(1,560,621)
Selling, general and administrative	(279,167)	(268,864)	(294,523)	(842,554)
Depreciation – tangible assets	–	(261,624)	(2,767)	(264,391)
Operating income (loss)	243,239	488,252	(297,290)	434,201
Amortization – intangible assets	(150,436)	(108,139)	–	(258,575)
Foreign exchange loss	–	–	(152,236)	(152,236)
Interest expense	–	(86,049)	–	(86,049)
Interest income	2,019	–	–	2,019
Income tax expense	(25,546)	(21,925)	–	(47,471)
Net income (loss)	69,276	272,139	(449,526)	(108,111)

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

20 Segment reporting (continued)

For the six months ended June 30, 2018

	Franchising	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	1,071,385	5,430,536	–	6,501,921
Direct costs	–	(3,228,917)	–	(3,228,917)
Selling, general and administrative	(360,036)	(527,413)	(679,912)	(1,567,361)
Depreciation – tangible assets	(1,957)	(508,454)	(9,685)	(520,096)
Operating income (loss)	709,392	1,165,752	(689,597)	1,185,547
Amortization – intangible assets	(79,047)	(177,043)	–	(256,090)
Gain on acquisition	–	17,840	–	17,840
Foreign exchange gain	–	–	243,881	243,881
Interest expense	–	(131,540)	–	(131,540)
Interest income	2,221	–	–	2,221
Income tax (expense) recovery	(60,857)	(28,825)	199,016	109,334
Net income (loss)	571,709	846,184	(246,700)	1,171,193

For the six months ended June 30, 2017

	Franchising	Corporate locations	Corporate overhead	Total
	\$	\$	\$	\$
Revenue	1,050,734	4,685,484	–	5,736,218
Direct costs	–	(2,812,524)	–	(2,812,524)
Selling, general and administrative	(559,893)	(503,322)	(354,407)	(1,417,622)
Depreciation – tangible assets	–	(446,905)	(5,314)	(452,219)
Operating income (loss)	490,841	922,733	(359,721)	1,053,853
Amortization – intangible assets	(252,038)	(237,461)	–	(489,499)
Foreign exchange loss	–	–	(32,519)	(32,519)
Interest expense	–	(206,333)	–	(206,333)
Interest income	4,330	–	–	4,330
Income tax expense	(23,073)	(28,000)	–	(51,073)
Net income (loss)	169,522	501,477	(392,240)	278,759

RediShred Capital Corp.

Notes to Condensed Consolidated Financial Statements

June 30, 2018

(expressed in Canadian dollars)

21 Related party balances and transactions

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is no accounts receivable balance due from this franchise at June 30, 2018 (December 31, 2017 - \$nil). During the six months ended June 30, 2018, the Company earned royalties, service fees and interest income of \$75,328 (during the six months ended June 30, 2017 - \$65,459) from this franchise. Included in notes receivable from the franchisees is a three year note receivable balance of \$15,162 as at June 30, 2018, which has an interest rate of 5% per annum.

22 Subsequent events

On July 26, 2018, the Company completed a private placement, led by Acumen Capital Finance Partners Limited ("Acumen"), of 18,333,334 common shares of the Company at a price of \$0.60 per common share for gross proceeds of \$11 million, including a fully-exercised over allotment option of \$1 million dollars. The net proceeds of the private placement will be used to fund future growth initiatives including both acquisitions and organic growth, and for general corporate purposes. Broker commissions will be paid in connection with the offerings. Acumen acted as agent for the private placement and received cash commissions of approximately \$659,000.