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Business Overview

Redishred Capital Corp. was founded in 2006 with the purpose to acquire and grow a business platform in the information destruction and security industry. In 2008, Redishred acquired Professional Shredding Corporation and its primary assets which included the Proshred system and brand, including 16 franchised locations.

The Company is headquartered in Mississauga, Ontario, Canada and operates the Proshred franchise and licence business (defined as the business of granting and managing franchises in the United States and by way of a master license arrangement in the Middle East). As of June 30, 2021, the Company operated 13 corporate locations directly, two of which operate our Proscan branded imaging and scanning operations and one of which operates an electronic waste services business in under the Secure e-Cycle brand. As of August 25, 2021, the Company operates 14 corporate locations. During the first half of 2021, the Proshred system achieved USD$23.5 million in System Sales (USD$11.5 million from franchised/licensed locations and USD$12 million from the corporately owned locations).

The Company's strategy to drive shareholder value focuses on three key areas:

1. Expand the location footprint in North America by way of franchising and accretive acquisitions.

2. Maximize same location revenue (in particular recurring scheduled services) and earnings for franchisees and corporate locations.

3. Drive depth of service and earnings in existing locations by acquiring smaller acquisitions that are accretive (tuck-ins).

Basis for Presentation

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 statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the all pertinent information, this MD&A should be read in conjunction with material contained in the Company's consolidated interim financial statements for the three and six months ended June 30, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB"). The Company's presentation currency is the Canadian dollar. The functional currency of the Company's U.S. subsidiaries is the U.S. dollar, as it is the currency of the primary economic environment in which they operate. Additional information on the Company, including these documents and the Company's 2020 Annual Report are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at August 25, 2021.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements 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 statements 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 statements, analysis and commentary in this document reflect the Company's anticipated outlook of future events. These statements 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, which may be impacted by:

  a. the severity and duration of the COVID-19 pandemic and its effects on the Canadian, United States and global economy, including its effects on Redishred, the markets we serve and our customers and the third parties with whom we do business,
  b. the growth of the system sales achieved by existing and new locations,
  c. the growth of sales achieved in corporate locations,
  d. the economic circumstances in certain regions of the United States,
  e. the level of corporate overhead,
  f. number and size of acquisitions,
  g. the ability to realize efficiencies from acquired operations,
  h. the exchange rate fluctuations between the US and Canadian dollar,

(ii) anticipated system sales, royalty revenue and corporate location 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 and corporate security issues;

(iii) recycling revenues may be impacted by commodity paper prices which may vary with market conditions both in the United States and Internationally;

(iv) the anticipated corporate results which may be impacted by the ability of the Company to achieve the anticipated sales and efficiencies; and by the performance of the local economies;

(v) the awarding of franchises and licences, which is subject to the identification and recruitment of candidates with the financial capacity and managerial capability to own and operate a Proshred franchise or licence;

(vi) the commencement of new franchise and/or licenced locations which may be delayed by the inability of the franchisee to comply with the franchise agreement terms and conditions post execution;

(vii) acquisition activity may be impacted by the level of financing that can be obtained, the identification of appropriate assets and agreement of suitable terms, and

(viii) the ability to continue to meet the Company's financial covenants it has with its banking institution.

These forward-looking statements 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 Financial 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.

- **Total 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.

- **Shredding System Sales** are revenues generated from customers with regular recurring service referred to as scheduled sales and revenues generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding system sales do not include recycling sales, electronic waste sales or scanning sales. Shredding system sales include revenues generated by franchisees, licensees and corporately operated locations.

- **Same Location** for system sales, 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 2021 and 2020.

- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead. A reconciliation between net income and consolidated EBITDA is included on page 31.

- **Consolidated Operating Income** is defined as revenues less all operating expenses, depreciation related to the tangible assets. Amortization for intangible assets has not been included in this calculation. A reconciliation between net income and consolidated operating income is included on page 31.

- **Consolidated Operating Income less Net Interest Expense** is defined as consolidated operating income including interest income and expense. A reconciliation between net income and consolidated operating income less net interest expense is included on page 31.

- **Corporate Location EBITDA** is defined as earnings before interest, taxes, depreciation and amortization and corporate overhead generated by corporately operated locations.

- **Corporate Location Operating Income** is the income generated by corporately operated locations. The operating income generated is inclusive of depreciation on tangible assets, including trucks, right of use assets and secure collection containers. It does not include amortization related to intangibles assets, allocations for corporate overhead or interest expense.

- **Corporate Location Operating Income less Recycling** is the corporate location operating income excluding corporate location recycling sales.

- **Margin** is the percentage of revenue that has turned into EBITDA or Operating Income. Margin is defined as EBITDA or operating income divided by revenue.

- **Constant currency** is a measure of growth before foreign currency translation impacts. It is defined as the current period results in CAD currency using the foreign exchange rate in the equivalent prior year period. This allows for period over period comparisons of business performance excluding the impact of currency fluctuations.

Key Performance Indicators ("KPIs")

Management measures the Company's performance based on the following KPIs:

1. System sales performance – measures sales growth of franchisees, licensees and corporate locations, which drive the Company's royalties and corporate location revenues.

2. EBITDA growth and margin – management uses this performance measure to assess both the Company's performance and the corporate locations performance. Management is focused on growing the consolidated Company EBITDA and the corporate locations EBITDA.

3. Consolidated operating income increases – this measure considers the Company's ability to increase its operating income and includes depreciation on tangible assets, including trucks and right-of-use assets.

4. Corporate location operating income growth and margin – measures the corporate locations ability to grow cash flow as it includes depreciation on tangible assets.

5. Corporate location operating income less recycling revenue growth – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices.

6. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by our lenders, this measure considers the Company's ability to pay both interest and principal on outstanding debt. The Company normalizes the ratio for non-cash stock-based compensation expense. Management is focused on increasing this ratio, as generally, the higher the fixed charge coverage ratio, the lower the credit risk.

7. Normalized Total Funded Debt to EBITDA Ratio – this measures the Company's leverage and its ability to pay all outstanding debt and assesses the Company's financial health and liquidity position. The Company normalizes the ratio for non-cash stock-based compensation expense. Management's goal is to continue to reduce this ratio which is an indicator that the Company has sufficient funds to meet its financial obligations.

8. Operating income per weighted average share, fully diluted – measures management's ability to drive operating income and cash flow from existing locations and also helps measure the quality of the acquisitions conducted to ensure they are accretive to driving shareholder value.

Dollar amounts in thousands of Canadian dollars (except as noted)

Financial and Operational Highlights

The following table outlines the Company's key IFRS and non-IFRS measures:

		Three months ended June 30,			Six months ended June 30,		
	KPI	**2021**	2020	*Change(a)*	**2021**	2020	*Change(b)*
System Sales Growth – in USD							
Total locations in the United States		**30**	30	*0%*	**30**	30	*0%*
Total system sales	(1)	**$12,817**	$8,726	*47%*	**$23,500**	$19,715	*19%*
% of scheduled sales		***48%***	*48%*		***49%***	*51%*	
Consolidated Operating Growth							
Revenue		**$8,677**	$6,034	*44%*	**$15,991**	$12,628	*27%*
EBITDA	(2)	**$2,622**	$1,564	*68%*	**$4,676**	*$2,924*	*60%*
EBITDA margin		***30%***	*26%*	*400 bps*	***29%***	*23%*	*600 bps*
Operating income	(3)	**$1,544**	$572	*170%*	**$2,565**	$1,086	*136%*
Operating income margin		***18%***	*9%*	*900 bps*	***16%***	*9%*	*700bps*
Operating income per weighted average share fully diluted	(8)	**$0.019**	$0.008	*142%*	**$0.032**	$0.014	*130%*
Government assistance not included in the above(2)		**$ -**	$1,070	*(100)%*	**$1,317**	$1,262	*4%*
Corporate Location Growth							
Revenue		**$8,177**	$5,533	*48%*	**$14,982**	$11,536	*30%*
EBITDA		**$3,249**	$1,745	*86%*	**$5,651**	$3,528	*60%*
EBITDA margin		***40%***	*32%*	*800 bps*	***38%***	*31%*	*700 bps*
Operating income	(4)	**$2,195**	$776	*183%*	**$3,588**	1,740	106%
Operating income margin		***27%***	*14%*	*1300 bps*	***24%***	*15%*	*900 bps*
Operating income less recycling	(5)	**$1,258**	$(39)	*3126%*	**$2,031**	$392	*418%*

Capital Management

As of June 30, and December 31,	**KPI**	**2021**	2020	*Change (1)*
Working capital		**$(1,724)**	$(2,548)	*32%*
Debt to total assets ratio		**0.47**	0.48	*2%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	(6)	**1.64**	1.19	*37%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	(7)	**2.07**	2.95	*30%*

(a) Change expressed as a percentage or basis point ("bps").
(b) During Q1-2021, the Company qualified for the second round of the Paycheck Protection Program loan ("PPP") in the United States which has been made available to eligible US businesses that have been affected by the COVD-19 pandemic. The Company expects the full amount to be forgiven. The Company also qualified for the Canadian Emergency Wage Subsidy ("CEWS") in Canada.

Summary of Results and Operations

Revenue Growth in Q2-2021

The Company achieved 44% total revenue growth and 58% total revenue growth in constant currency during Q2-2021 versus Q2-2020 primarily due to the following:

(1) the acquisitions conducted during the last 12 months;
(2) the organic sales growth due to:
  a. the recovery of the economy with the roll-out of vaccinations and easing of COVID restrictions; and
  b. the addition of new client accounts.

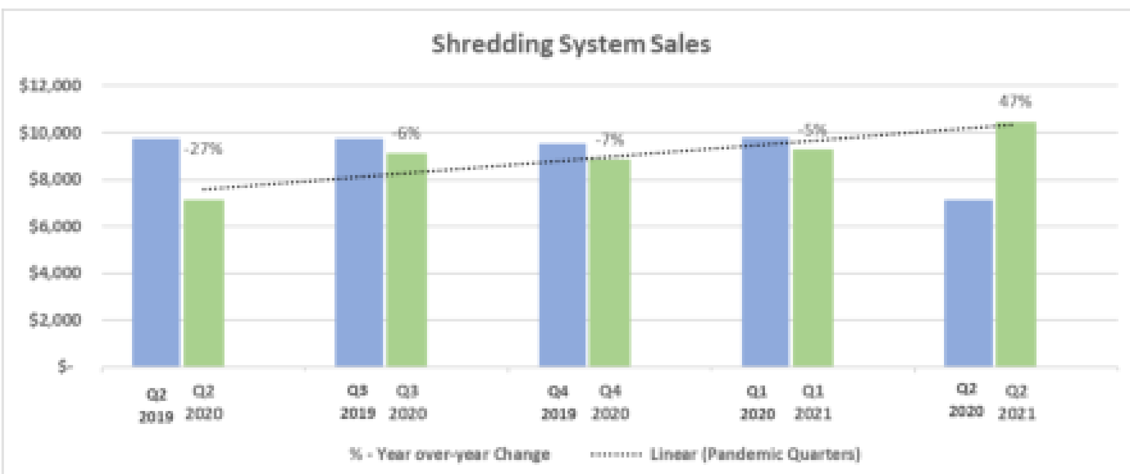
Q2-2021 System Sales Fully Recovered from COVID-19 Impacts

Shredding system sales grew 47% in Q2-2021 versus Q2-2020, as an increasing number of non-essential clients have returned to their offices and facilities and have resumed or increased their shredding services.

Shredding system sales grew versus pre-COVID sales levels during Q2-2021; increasing 7% versus Q2-2019 (pre-COVID sales comparative).

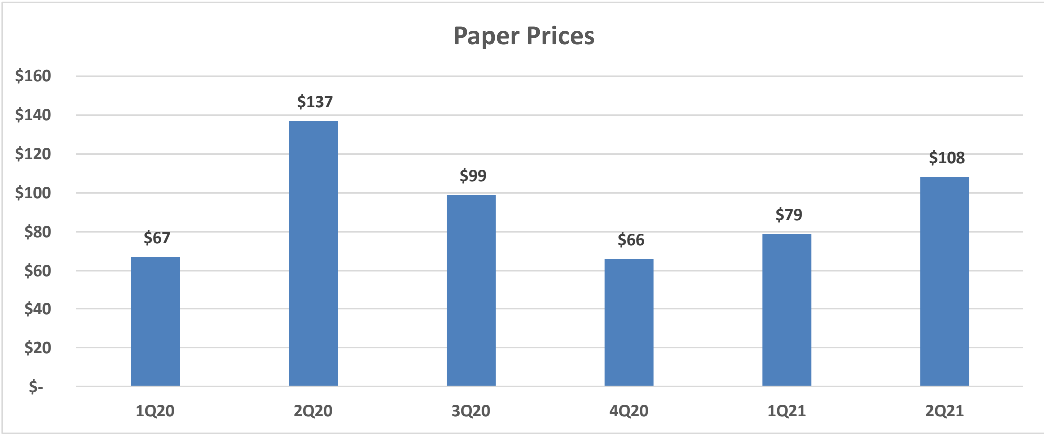
Scheduled system sales grew 45% in Q2-2021 versus Q2-2020 and 9% versus Q2-2019.

Unscheduled system sales grew 50% in Q2-2021 versus Q2-2020 and 5% versus Q2-2019.



Recycling system sales grew by 27% in Q2-2021 versus Q2-2020 as paper tonnage increased by 50% over the same period which is consistent with the increase in shredding system sales. The average paper price in the Proshred system for Q2-2021 decreased by 21% versus Q2-2020 as the Proshred system saw a temporary surge in the price of our recycled paper in Q2-2020 led by COVID19 paper product shortages.

The average paper prices in the Proshred system in USD for the last five quarters are as follows:



Strong Same Corporate Location EBITDA Growth

The Company achieved 41% growth in same corporate location EBITDA and a 500-bps improvement in EBITDA margin during the quarter. Constant currency EBITDA growth was 63% during the quarter. This improvement was driven by the growth in revenue as COVID restrictions eased and many non-essential shredding clients have returned to their offices and resumed. The sales teams have continued to add new clients on a monthly basis over the last twelve months and costs continue to be well managed through route efficiencies and regional cost sharing.

Corporate Footprint Growth from Acquisitions

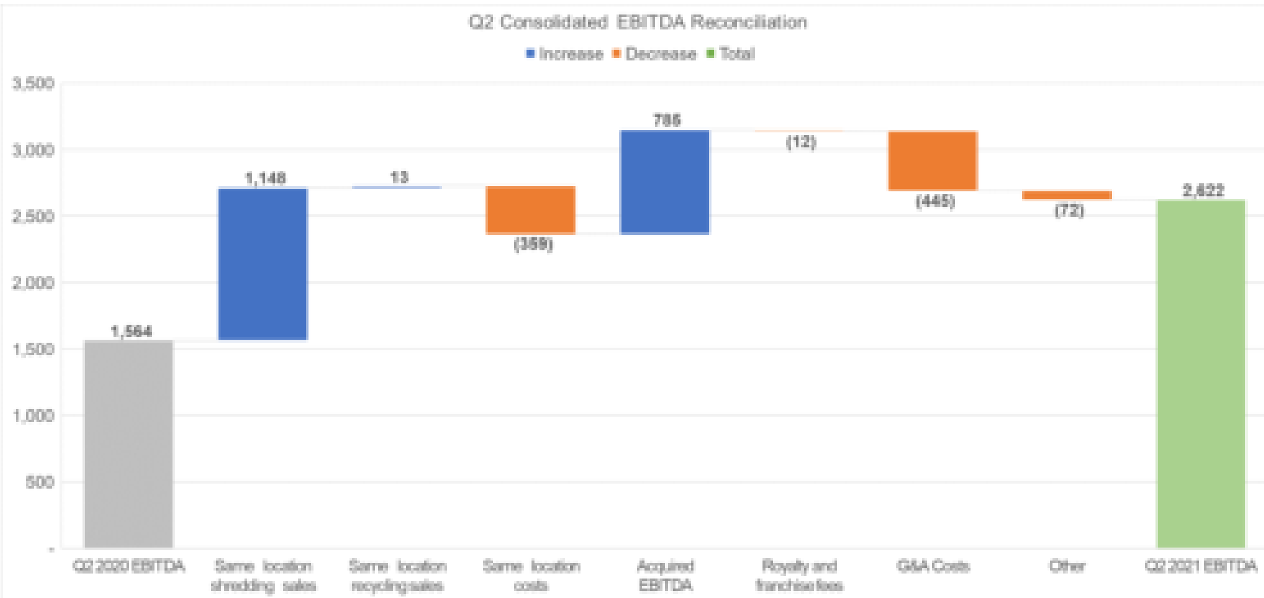
On May 1, 2021, the Company completed the acquisition of the Proshred Richmond, Virginia business from its franchisee. The acquired location earned a total of USD$870,000 in revenue during 2020 and currently operates a total of 4 trucks. Subsequent to June 30, 2021, the Company completed the acquisition of the Proshred Atlanta business from its franchisee on July 30, 2021. The acquired location earned a total of USD$1.3 million in revenue during 2020 and currently operates a total of 5 shredding trucks and 1 hard-drive destruction truck. The acquisitions conducted during 2020 and year to date 2021 have been accretive to the Company's cash flows for the first half of 2021.

Strong Consolidated EBITDA Growth

The Company achieved 68% growth in consolidated EBITDA in Q2-2021 when compared to Q2-2020 driven by:

(1) Acquired EBITDA from the acquisitions of the Massachusetts and Richmond businesses over the last 12 months; and

(2) Same store EBITDA growth as noted above.



COVID-19 Impact on Operations

Since the onset of the global pandemic in March 2020, the Company has implemented measures to protect the health and well-being of its workforce and customers. The Company has continued to maintain operations in all markets since the beginning of the pandemic to date. Additional details on the Company's financial impact from COVID-19 are included in Redishred's Annual 2020 Management Discussion and Analysis, which is available on SEDAR at www.sedar.com.

Dollar amounts in thousands of Canadian dollars (except as noted)

Strategic Targets

Growth of Same Location Shredding System Sales:	
2021 Target	Same location shredding system sales growth of 5% to USD$38M, subject to COVID-19 related restrictions being lifted by Q2-2021. See note 1 below.
Q2-2021 Performance to-date	Same location shredding system sales grew by 16% during the six months ended June 30, 2021, as the majority on non-essential offices and facilities have reopened and clients have resumed their shredding services. Given the strong recovery of sales, ***the Company expects same location shredding system sales growth to exceed 5% growth in 2021***.
Growth in Same Location EBITDA and Operating Income(1):	
2021 Target	Growth of 10% in same location EBITDA to $7.9M and growth of 22% in same location operating income to $4.4M, subject to COVID-19 related restrictions being lifted by Q2-2021.
Q2-2021 Performance to-date	Same location EBITDA grew 24% to $4.4M during the six months ended June 30, 2021. Same location operating income grew 60% to $2.8M during the six months ended June 30, 2021. ***The Company is currently ahead of its annual target.***
EBITDA and Operating Income from acquired operations(1):	
2021 Target	Attain EBITDA margin of at least 30% and operating income margin of at least 20% prior to transition and acquisition costs.
Q2-2021 Performance to-date	For the six months ended June 30, 2021, EBITDA and operating income margin from acquired operations was 44% and 28% respectively. ***The Company is currently exceeding the targets set.***
Franchise Development:	
2021 Target	Open one new market in the United States by way of franchising.
Q2-2021 Performance to-date	The Company did not award any new franchises during the six months ended June 30, 2021. Redishred is pursuing franchise opportunities in available markets.
Expand by way of Accretive Acquisitions:	
2021 Target	Add USD$3M to USD$4M in revenue by way of accretive acquisitions.
Q2-2021 Performance to-date	On May 1, 2021, the Company closed on the acquisition of the Proshred Richmond, Virginia business, which generated USD870,000 in revenue in 2020. Subsequent to June 30, 2021, the Company also closed on the acquisition of the Proshred Atlanta business on August 1, 2021, which generated USD$1.3 million in revenue in 2020. Additionally, on July 1, 2021, the Company purchased a client list in the Albany, NY market, which generated USD$100,000 in revenue in 2020. ***The Company expects to achieve this target by end of 2021.***
Improve Operating Leverage(2):	
2021 Target	General and administrative ("G&A") costs at 13% of total revenue.
Q2-2021 Performance to-date	G&A was 12% of total revenue for the six months ended June 30, 2021.

(1) 2021 corporate location targets are subject to the US economy remaining open including non-essential businesses returning to offices as well as the improvement in the number of COVID-19 cases and the distribution of the COVID-19 vaccines.
(2) G&A costs as a percentage of revenue target does not include Growth Fund revenue and costs.

Dollar amounts in thousands of Canadian dollars (except as noted)

Outlook

Demand for Shredding Services Remains Strong

The Company continues to see an increase in marketing leads for both for scheduled and purge services. The Company's salesforce is converting an increased number of these marketing leads to sales which is expected to contribute to top-line growth. In addition, with the aggressive roll-out and mandates of the COVID-19 vaccines in the United States, it is anticipated that many larger non-essential clients in the large metropolitan downtown areas will return to their offices during the second half of 2021 and early into 2022, resuming their need for shredding services.

Recycling Revenue

The following outlines the Q3-2021 average paper price estimate based on July and August 2021 paper pricing:

	Q2-2021	Q3-2021	% Change
Average price	$108	$131	21%

Future Growth Opportunities through Accretive Acquisitions

Development by way of acquisitions remains an important component of Redishred's long-term growth strategy. The Company is in discussions with acquisition targets and is actively looking for acquisition opportunities in the United States.

Liquidity

The Company will continue to be proactive with its lending partners and will continue to manage its financial covenants. The Company plans to finance up to 40% of its acquisitions conducted through a combination of bank financing and contingent consideration.

Dollar amounts in thousands of Canadian dollars (except as noted)

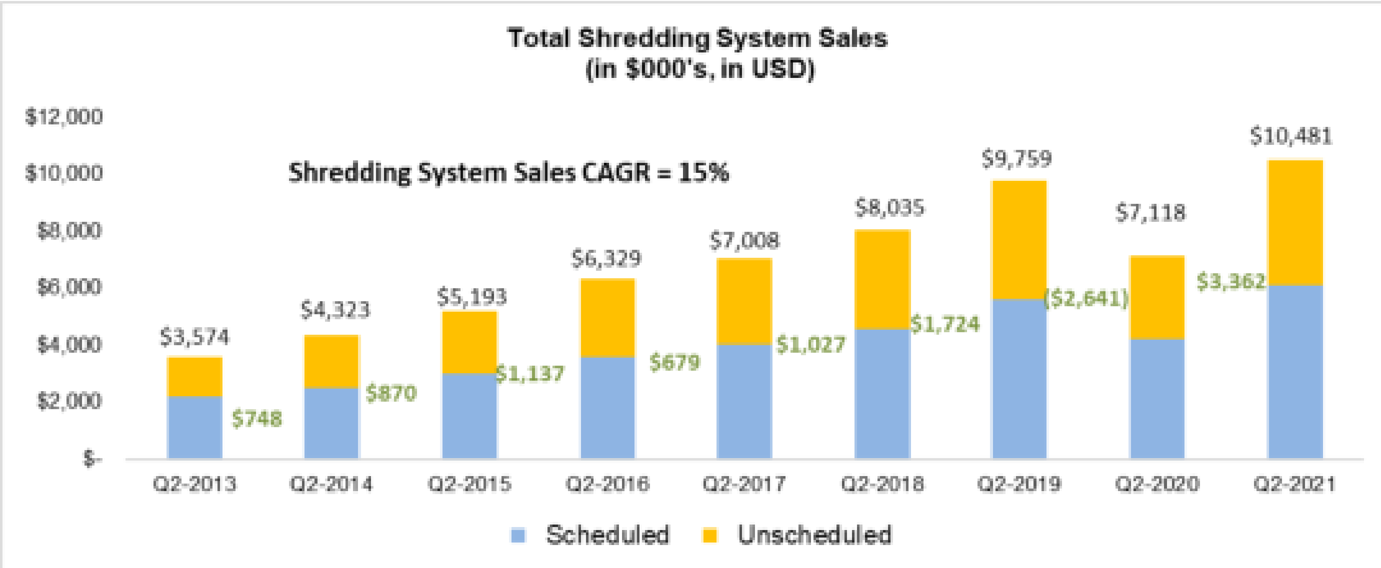
The Company's North American franchise locations are as follows:

Number	Franchised Location	Markets Serviced	Operating Since
1.	Tampa Bay, FL	Tampa Bay, Clearwater, St. Petersburg, Sarasota, Lakeland and Orlando	March 2004
2.	Denver, CO	Greater Denver area	August 2004
3.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006
4.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
5.	Baltimore, MD	Baltimore and Washington, DC	November 2007
6.	Orange County, CA	Orange County	September 2009
7.	San Diego, CA	San Diego	October 2010
8.	Indianapolis, IN	Greater Indianapolis area	June 2011
9.	Atlanta, GA	Greater Atlanta area	January 2012 – ***The company purchased the business on July 30, 2021***
10.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
11.	Dallas, TX	Dallas and Fort Worth	March 2012
12.	Houston, TX	Greater Houston area	November 2012
13.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
14.	Seattle, WA	Seattle and Tacoma	October 2013
15.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
16.	Minneapolis, MN	Minneapolis and St. Paul	February, 2016
17.	St. Louis, MO	Greater St. Louis area	August 2016

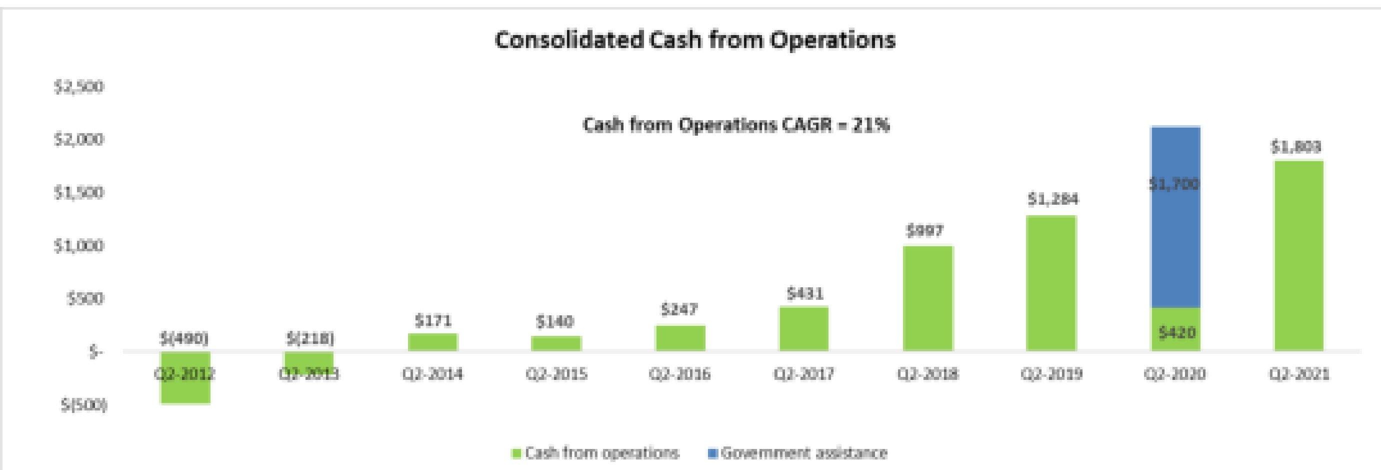
Dollar amounts in thousands of Canadian dollars (except as noted)

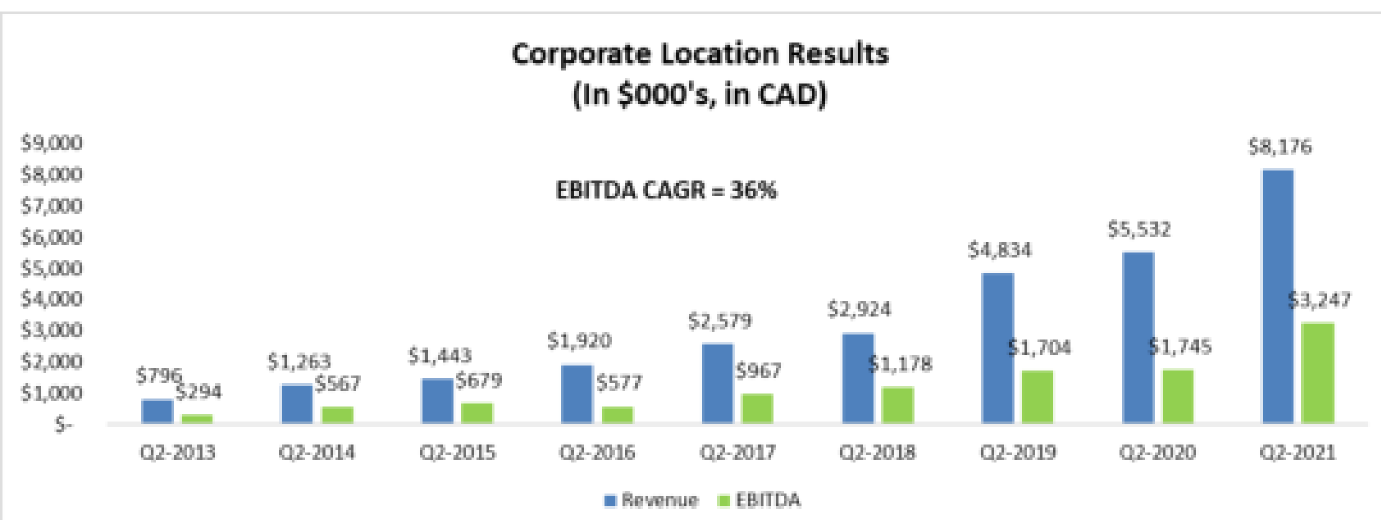
The Company's North American corporate locations are as follows:

Number	Corporate Location	Markets Serviced	Corporately Operating Since
1.	Syracuse, NY	Syracuse	March 2004 Corporately since May 2010
		Buffalo and Rochester	October 2017
		Watertown	April 2018
2.	Albany, NY	Albany and the Hudson River Valley	April 2003 Corporately since July 2010
3.	New York City, NY	New York City, Westchester, Rockland, Dutchess and Putnam Counties, Bergin County, NJ, Staten Island and Long Island	January 2008 Corporately since January 2012
4.	Milwaukee, WI	Milwaukee, Madison and Racine	August 2003 Corporately since January 2011
5.	Miami, FL	Miami, Fort Lauderdale and Palm County	June 2008 Corporately since January 2014
6.	Charlotte, NC	Charlotte, Statesville, Ashville, and Rock Hill, SC	April 2006 Corporately since July 2013
7.	North Virginia, VA	Washington, DC suburbs including Arlington, Alexandria, Tysons, Reston and Dulles	July 2008 Corporately since April 2017
8.	North New Jersey, NJ	All counties north of Middlesex county	June 2005 (as Safe Shredding) Corporately since October 2018
9.	Kansas City, KS	Greater Kansas City area	December 2006 Corporately since February 2019
10.	Chicago, IL	Greater Chicagoland area	April 2007 Corporately since October 2019
11.	New Haven, CT	State of Connecticut and Rhode Island	April 2007, Corporately since March 2020
12.	Springfield, MA	Western Massachusetts including western Boston suburbs	June 2003 Corporately since December 31, 2020
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013. Corporately since May 1, 2021



Note: The figures in green above refer to the year over year growth in total shredding system sales.





Note: Compound Annual Growth Rate ("CAGR") refers to the growth rate of revenue, EBITDA or cash if it had grown the same rate every year. CAGR is the average annual growth rate over a period of time.

Dollar amounts in thousands of Canadian dollars (except as noted)

Total System Sales

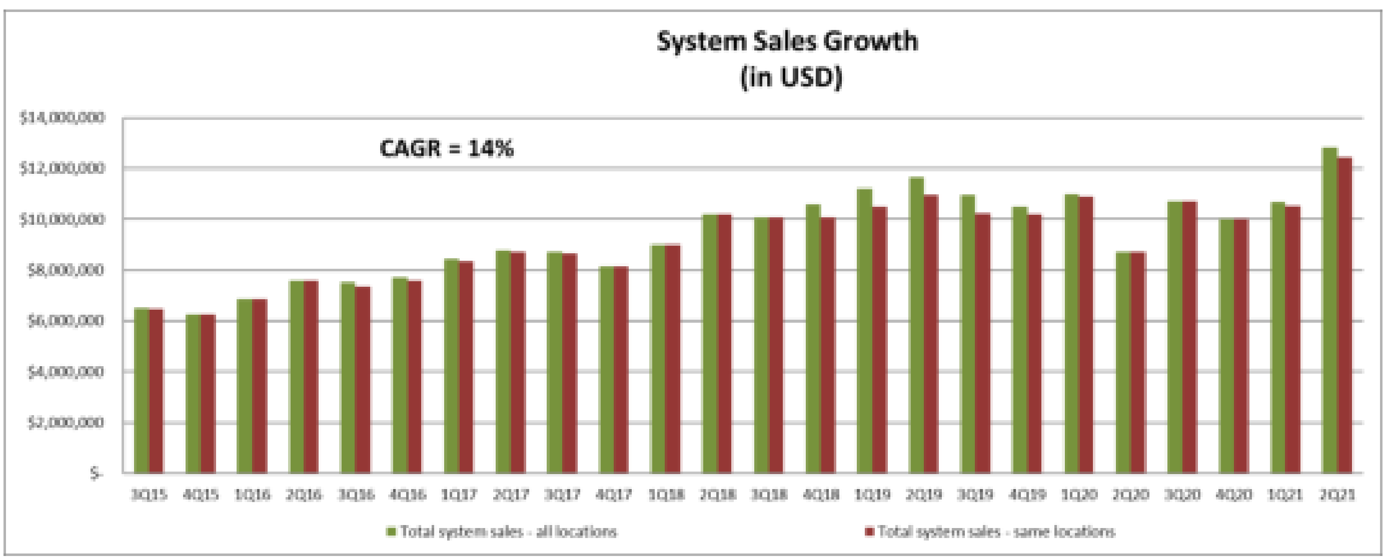
Franchisees and corporate locations generate revenue by (1) providing shredding services and disposal of electronic waste services to their customers, (2) selling recycled paper and other recyclable by-products (ie. metals and plastics) (3) the resale of certain electronics collected from customers and (4) providing digital imaging, scanning and related workflow management services to their customers. The shredding and recycling sales are the key driver of royalty and service fee revenue. Total system sales are broken into five categories, scheduled sales, unscheduled sales, recycling sales, electronic waste sales and scanning sales.

System sales are denominated and reported in USD during the reported periods as follows:

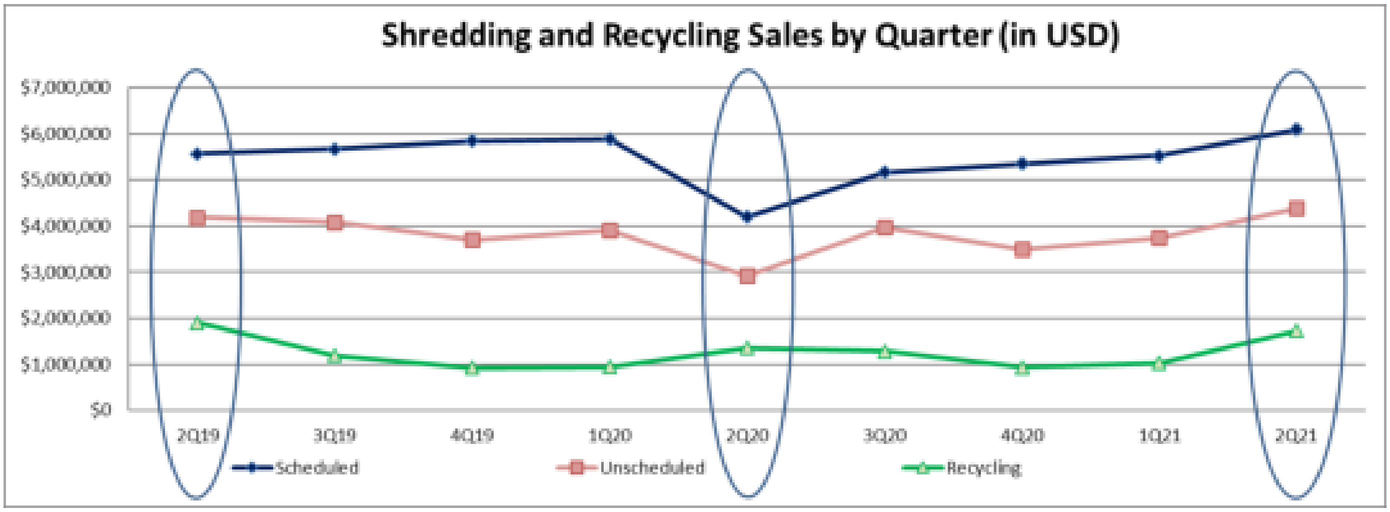
	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2020**	2020	% Change
Total North American operating locations at period end	**30**	30	0%	**30**	30	0%
Total system sales (USD)	**$ 12,817**	$ 8,726	47%	**$ 23,500**	$ 19,715	19%
Total same location system sales (USD)	**$ 12,433**	$ 8,726	42%	**$ 22,947**	$ 19,715	16%

System Sales Trend:

The following chart illustrates system sales growth in USD by quarter since the third quarter of 2015.

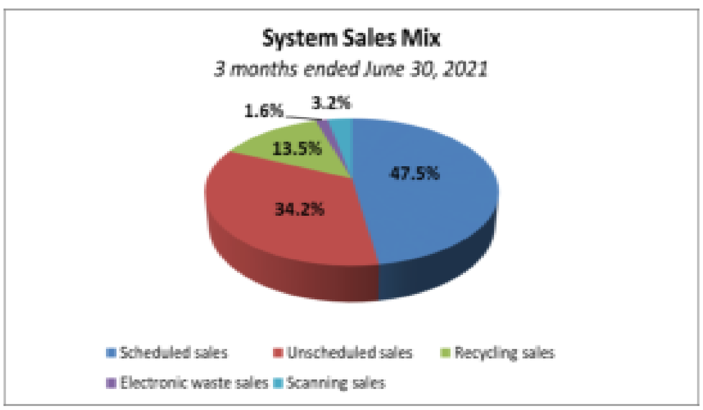


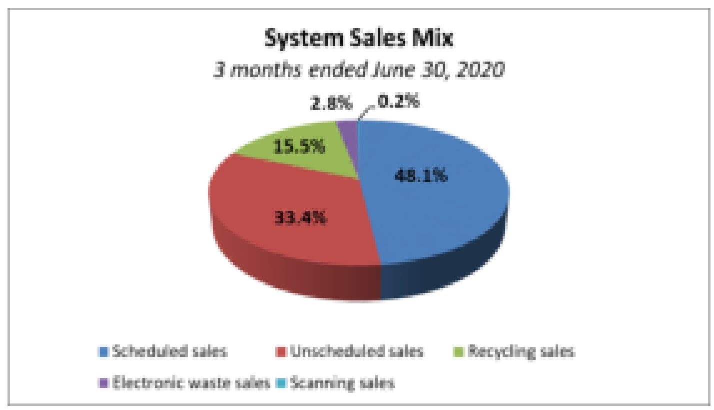
The following chart illustrates shredding and recycling sales growth in USD by quarter since the second quarter of 2019.

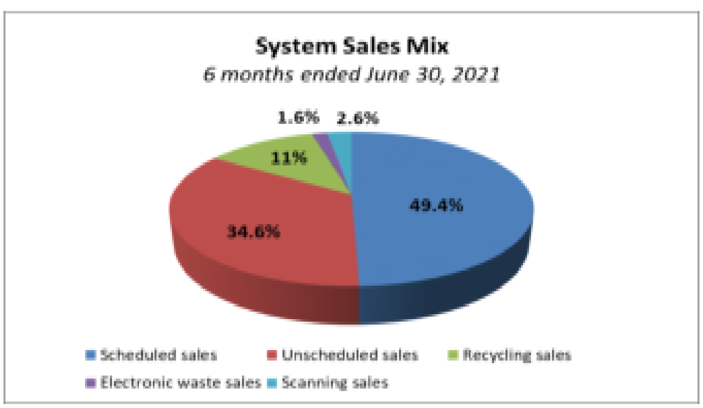


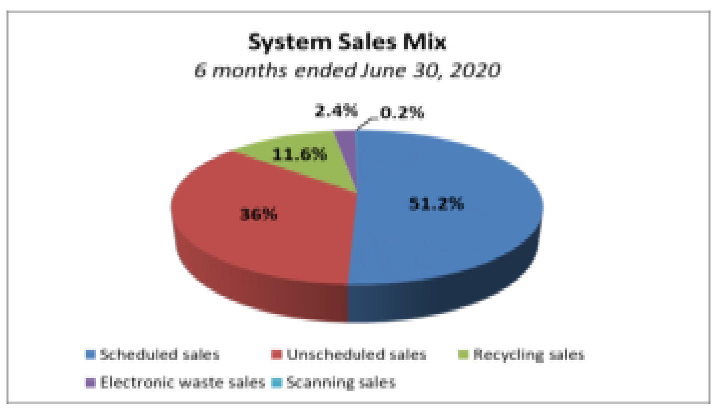
System Sales Breakdown:

The following chart illustrates the system sales breakdown for the three and six months ended June 30, 2021 and 2020.









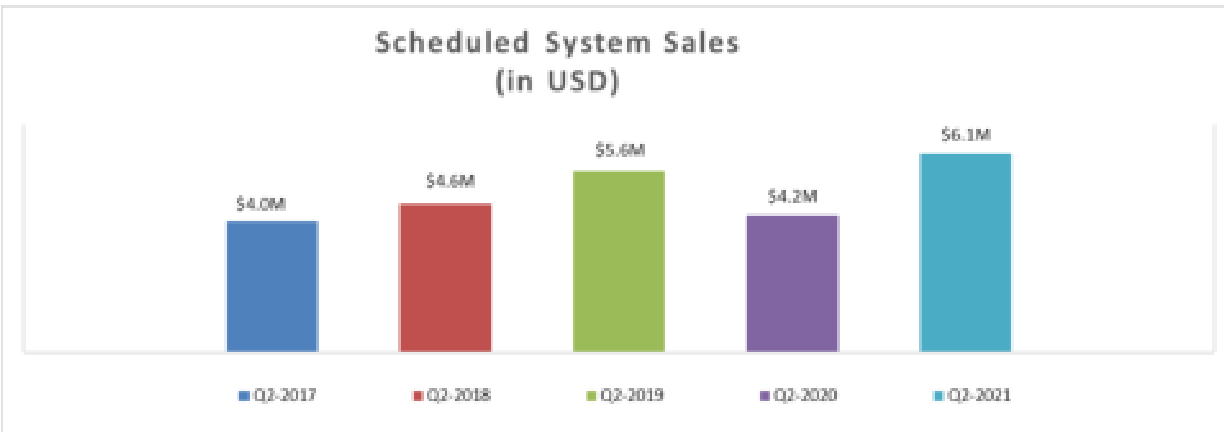
Dollar amounts in thousands of Canadian dollars (except as noted)

Scheduled system 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. In Q2-2021, scheduled sales recovered over Q2-2020 which were negatively impacted by the COVID-19 pandemic reaching a record high of $6.1 million.

Recurring scheduled system sales accounted for 58% of total service system sales in Q2-2021 (59% - Q2-2020).

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Total and same location scheduled system sales (USD)	**6,095**	4,200	45%	**11,618**	10,090	15%

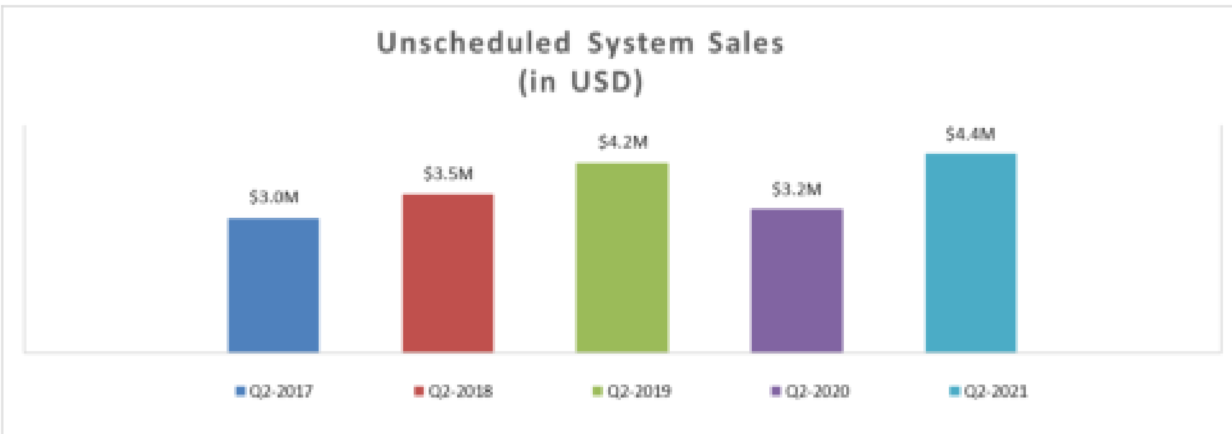


Dollar amounts in thousands of Canadian dollars (except as noted)

Unscheduled system sales:

Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements. 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. In Q2-2021, unscheduled sales reached a record high of $4.4 million growing 50% as compared to Q2-2020, which was negatively impacted by the COVID-19 pandemic.

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Total and same location unscheduled system sales (USD)	**4,386**	2,918	50%	**8,133**	6,832	19%



Dollar amounts in thousands of Canadian dollars (except as noted)

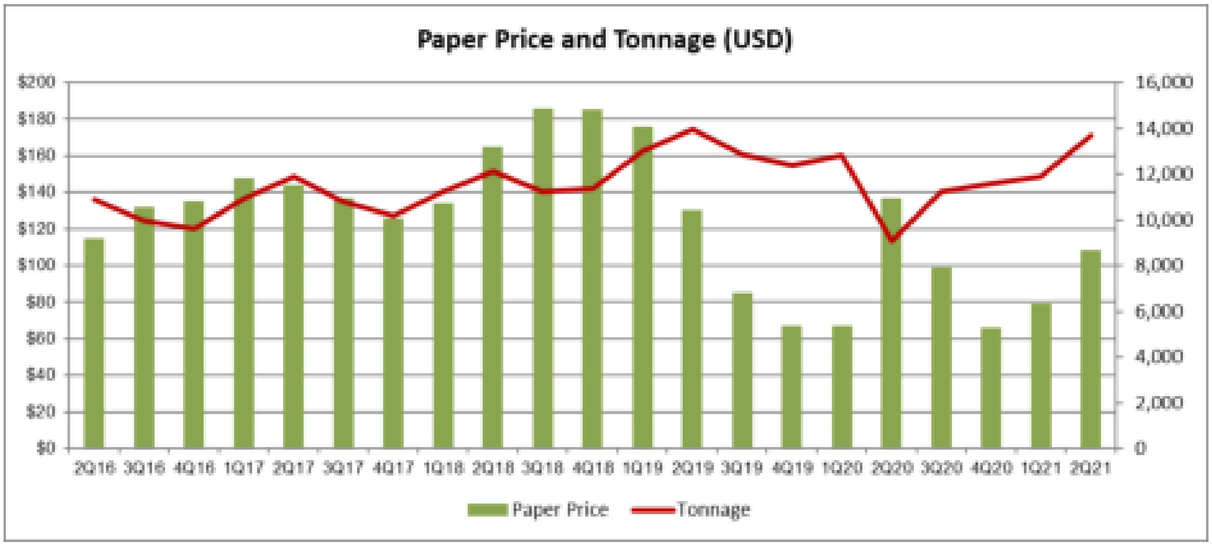
Recycling sales:

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.

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
Total and same location recycling system sales (USD)	**$ 1,726**	$ 1,355	27%	**$ 2,754**	$ 2,296	20%
Tonnage processed (units)	**13,700**	9,100	50%	**25,600**	21,900	17%
Average paper price per ton	**$ 108**	$ 137	(21)%	**$ 94**	$ 102	(8)%

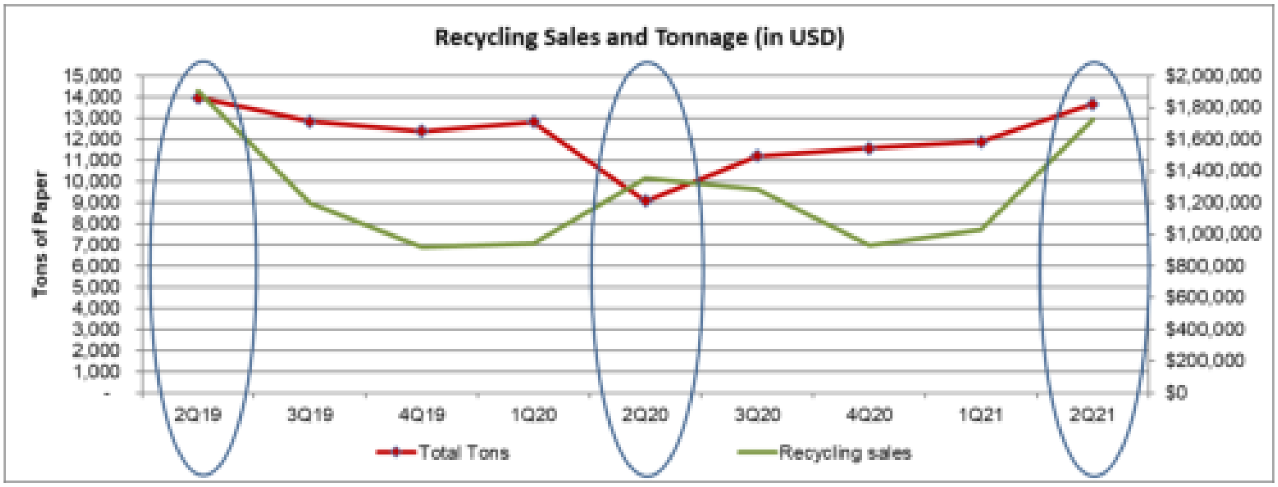
Paper Pricing Trends:

During Q2-2021, the average paper price in the Proshred system increased by 37% in comparison to Q1-2021 to $108 per ton. The average paper price in the Proshred system in Q2-2021 was 21% lower than in Q2-2020.

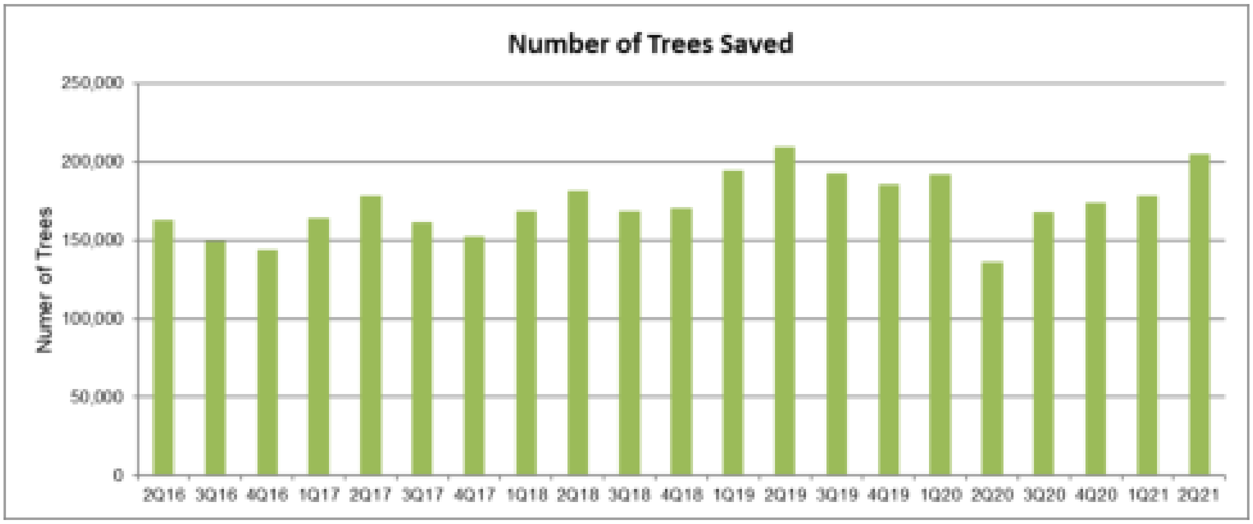


Historical Volume of Paper:

During Q2-2021, the system shred and recycled 50% more paper than in Q2-2020 as the Proshred system recovered from the negative impacts of COVID-19 experienced in Q2-2020. The Proshred system shred and recycled 13,700 tons of paper during Q2-2021 (9,100 – during Q2-2020), which equates to 205,000 trees being saved (136,000 – during Q2-2020). (1)



(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.



(1) The estimated amount of paper that can be produced from a tree has been conservatively estimated by management based on information taken from Conservatree.org.

Dollar amounts in thousands of Canadian dollars (except as noted)

Electronic waste sales:

Electronic waste sales are defined as the revenue generated from disposal services of client's electronic waste and/or products and by way of resale of certain electronics collected from clients. The Company currently provides electronic waste services primarily in its Kansas City market. Electronic waste sales were negatively impacted by the COVID-19 pandemic which led to a 18% decline in Q2-2021 as compared to Q2-2020. Many clients have been disposing desktops rather than laptops as employees work from home resulting in lower resale values for the Company. As larger clients return to the office, the Company expects an increase in equipment disposals and a shift back to higher dollar equipment such as laptops.

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
Electronic waste sales (USD)	**$ 204**	$ 248	(18)%	**$ 386**	$ 466	(17)%

Scanning sales:

Scanning sales are defined as the revenue generated from customers who have documents requiring scanning and indexing in order to digitalize their files. On December 31, 2020, the Company acquired the Proscan Massachusetts business. The Company currently provides scanning services in its Massachusetts and Charlotte markets.

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
Scanning sales (USD)	**$ 407**	$ 4	10403%	**$ 609**	$ 31	1876%

Dollar amounts in thousands of Canadian dollars (except as noted)

Franchising & Licensing

Royalties and service fees are charged for the use of the trademarks and system. Franchise and license fee revenue is recognized as revenue over the term of the related franchise or license agreement on a straight-line basis. The Company earns all franchising and licensing related revenues in USD, which are translated at the average exchange rate for the period.

During Q2-2021, royalty and services fees declined by 6% over Q2-2020. With the acquisition of the Springfield franchise in Q4-2020 and Richmond franchise in Q2-2021, the Company now earns corporate location revenue and EBITDA and no longer earns royalty fees from this location. Royalty and service fees for same franchise locations grew by 7% during Q2-2021 versus Q2-2020 as franchisee system sales recovered from the depth of the pandemic in Q2-2020.

Royalties, license, and service fees

	Total Franchise Locations			**Same Franchise Locations**		
For the three months ended June 30,	**2021**	2020	% Change	**2021**	2020	% Change
Total number of franchisees operating at period end	**17**	19	(11)%	**17**	17	0%
In CAD:						
Royalty, license and service fees	**$ 412**	$ 436	(6)%	**$ 412**	$ 386	7%

	Total Franchise Locations			**Same Franchise Locations**		
For the six months ended June 30,	**2021**	2020	% Change	**2021**	2020	% Change
Total number of franchisees operating at period end	**17**	19	(11)%	**17**	17	0%
In CAD:						
Royalty, license and service fees	**$ 830**	$ 934	(11)%	**$ 830**	$ 845	(2)%

Growth Fund

The Company manages a Growth Fund (formerly referred to the "Ad Fund") established to collect and administer funds contributed for use in regional and national sales and marketing programs, initiatives designed to increase sales and enhance general public recognition and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regards to these contributions. Growth Fund contributions are required to be made from both Franchised and Company owned and operated locations and are based on the annual level of revenue from each location.

The Company has a Growth Fund cash balance of $177,175 as at June 30, 2021. The fund may incur a continued loss going forward as the Growth Fund will continue to invest in marketing channels, tools and web redesigns, thereby potentially incurring expenses in excess of the contributions collected. During the three months ended June 30, 2021, the Growth Fund net loss was $17,000 (three months ended June 30, 2020 - $25,000 net income). During the six months ended June 30, 2021, the Growth Fund net loss was $31,000 (six months ended June 30, 2020 - $5,000).

Dollar amounts in thousands of Canadian dollars (except as noted)

Second Quarter Corporate Location Results

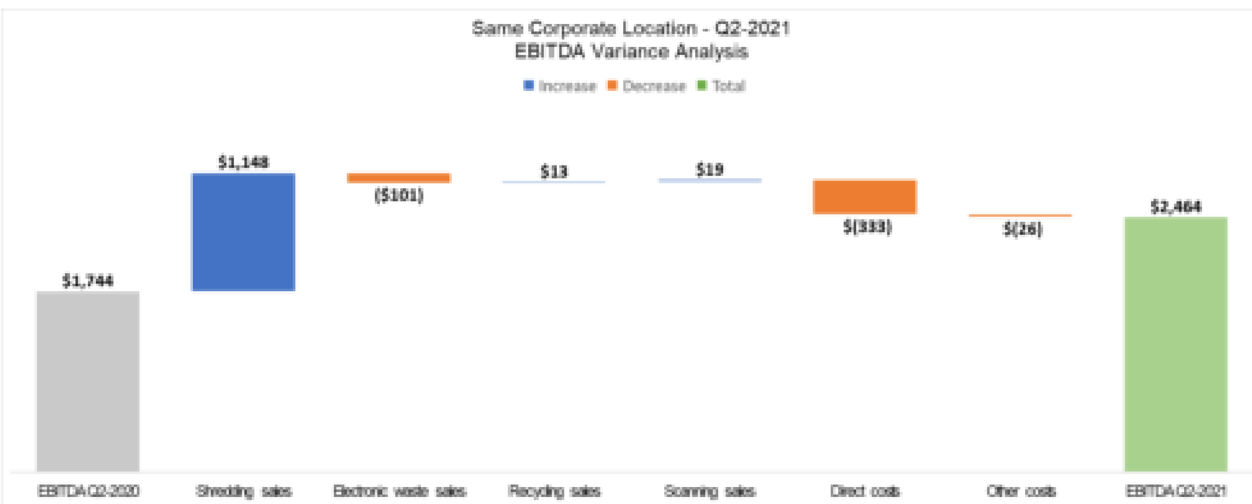
As of June 30, 2021, the Company operated thirteen corporate locations. Refer to page 12 for a list of locations. On May 1, 2021, the Company acquired the Proshred Richmond, Virginia franchisee, bringing the total corporate location count to thirteen. Same corporate location results include all locations except for: the Massachusetts location that was acquired on December 31, 2020, and the Richmond location that was acquired on May 1, 2021.

Total corporate location revenues and EBITDA grew by 48% and 86% in Q2-2021 versus Q2-2020 due to the acquisitions conducted over the last 12 months and the organic growth from same locations. Total EBITDA margin improved by 800 basis points over this period to 40% in Q2-2021.

During Q2-2021, same corporate location shredding revenue recovered from the depths of the pandemic in Q2-2020 resulting in a 26% increase year over year. The Company also managed its same location costs well resulting in EBITDA growth of 41% in Q2-2021 versus Q2-2020 with an improvement in EBITDA margin of 500 basis points.

The corporate location results were negatively impacted as the US dollar weakened in relation to the Canadian dollar in Q2-2021 versus Q2-2020, from 1.37 to 1.25 (average rates for the periods). The table below shows the corporate locations growth in Canadian Dollars and the constant currency (USD) growth year over year:

For the three months ended June 30, 2021	Constant currency year-over-year growth	Year-over-year growth
Same Corporate Locations:		
Total sales	39%	20%
EBITDA	63%	41%
Operating income	144%	109%
Total Corporate Locations:		
Total sales	53%	48%
EBITDA	151%	86%
Operating income	274%	182%



Second Quarter Corporate Location Results (continued)

In $000's, in CAD	Total Corporate Locations			Same Corporate Locations			Non-same Corporate Locations	
For the three months ended June 30,	**2021**	2020	% Change	**2021**	2020	% Change	**2021**	2020
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**6,518**	4,357	50%	**5,505**	4,357	26%	**1,013**	-
Electronic waste sales	**251**	351	(28)%	**251**	351	(28)%	**-**	-
Scanning sales	**473**	8	5156%	**28**	8	21%	**445**	-
Recycling sales	**935**	816	14%	**829**	816	2%	**106**	-
Total sales	**8,177**	5,532	48%	**6,613**	5,532	20%	**1,564**	-
Operating costs (note 1)	**4,928**	3,788	30%	**4,149**	3,788	10%	**779**	-
EBITDA	**3,249**	1,744	86%	**2,464**	1,744	41%	**785**	-
% of revenue	***40%***	*32%*	*800 bps*	***37%***	*32%*	*500 bps*	***50%***	-
Depreciation – tangible assets	**1,054**	968	9%	**836**	968	(14)%	**218**	-
Operating income	**2,195**	776	182%	**1,628**	776	110%	**567**	-
% of revenue	***27%***	*14%*	*1300 bps*	***25%***	*14%*	*1100 bps*	***36%***	-
Operating income less recycling	**1,260**	(39)	31050%	**799**	(39)	2104%	**461**	-
% of revenue	***17%***	*(1)%*	*1800 bps*	***14%***	*(1)%*	*1300 bps*	***32%***	-
EBITDA including government assistance	**3,249**	2,814	15%	**2,462**	2,814	(13)%	**785**	-
% of revenue	***40%***	*51%*	*(1100) bps*	***37%***	*51%*	*(1400) bps*	***50%***	-
EBITDA – in USD	**2,633**	1,047	151%	**1,998**	1,224	63%	**635**	-
% of revenue	***40%***	*24%*	*1600 bps*	***37%***	*32%*	*500 bps*	***50%***	-

Note 1: During Q2-2021, acquisition/vendor-related costs of $37,445 are included in the total and non-same operating costs.

Dollar amounts in thousands of Canadian dollars (except as noted)

Year-to-Date 2021 Corporate Location Results

Same corporate location results include all locations except for: Connecticut for the months of January and February as it was acquired on March 1, 2020, the Massachusetts location that was acquired on December 31, 2020, and the Richmond location that was acquired on May 1, 2021.

Total corporate location revenues and EBITDA grew by 30% and 76% in during the six months ended June 30, 2021, as compared to the prior period. 2021 versus Q2-2020 because of the acquisitions conducted over the last 12 months and the organic growth from same locations. Total EBITDA margin improved by 700 basis points over this period to 38% in the first half of 2021.

For the six months ended June 30, 2021	Constant currency year-over-year growth	Year-over-year growth
Same Corporate Locations:		
Total sales	15%	5%
EBITDA	36%	24%
Operating income	76%	60%
Total Corporate Locations:		
Total sales	43%	30%
EBITDA	76%	60%
Operating income	127%	106%

Dollar amounts in thousands of Canadian dollars (except as noted)

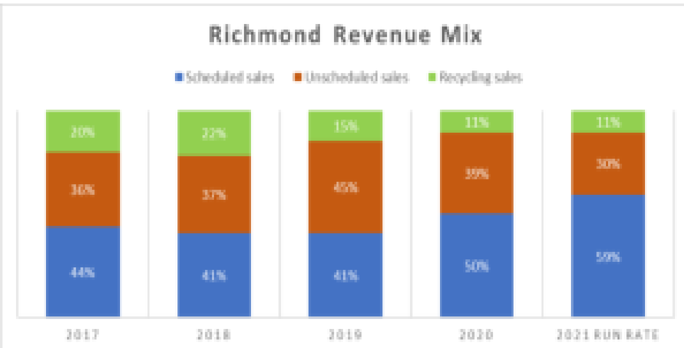
Year-to-Date Corporate Location Results (continued)

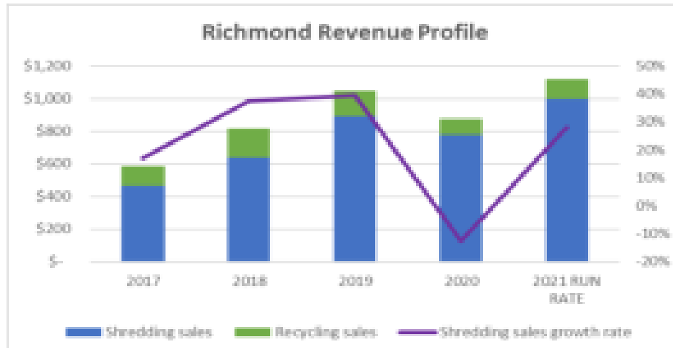
For the six months ended June 30,	**Total Corporate Locations** 2021	2020	% Change	**Same Corporate Locations** 2021	2020	% Change	**Non-same Corporate Locations** 2021	2020
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**12,184**	9,506	28%	**10,155**	9,506	7%	**2,029**	-
Electronic waste sales	**482**	639	(25)%	**482**	639	(25)%	**-**	-
Scanning sales	**759**	43	1614%	**70**	44	59%	**689**	-
Recycling sales	**1,557**	1,348	15%	**1,380**	1,348	2%	**177**	-
Total sales	**14,982**	11,536	30%	**12,087**	11,536	5%	**2,895**	-
Operating costs (note 1)	**9,331**	8,008	17%	**7,718**	8,008	(4)%	**1,613**	-
EBITDA	**5,651**	3,528	60%	**4,369**	3,528	24%	**1,282**	-
% of revenue	***38%***	*31%*	*700 bps*	***36%***	*31%*	*500 bps*	***44%***	-
Depreciation – tangible assets	**2,063**	1,788	15%	**1,585**	1,788	(11)%	**478**	-
Operating income	**3,588**	1,740	106%	**2,784**	1,740	60%	**804**	-
% of revenue	***24%***	*15%*	*900 bps*	***23%***	*15%*	*800 bps*	***28%***	-
Operating income less recycling	**2,031**	392	418%	**1,404**	392	257%	**627**	-
% of revenue	***15%***	*4%*	*1100 bps*	***13%***	*4%*	*900 bps*	***23%***	-
EBITDA including government assistance	**6,931**	4,598	51%	**5,648**	4,598	23%	**1,282**	-
% of revenue	***46%***	*40%*	*600 bps*	***47%***	*40%*	*700 bps*	***44%***	-
EBITDA – in USD	**4,531**	2,575	76%	**3,503**	2,575	36%	**1,028**	-
% of revenue	***38%***	*31%*	*700 bps*	***36%***	*31%*	*500 bps*	***44%***	-

Note 1: Acquisition/vendor-related costs of $63,416 are included in the total and non-same operating costs.

Acquisitions

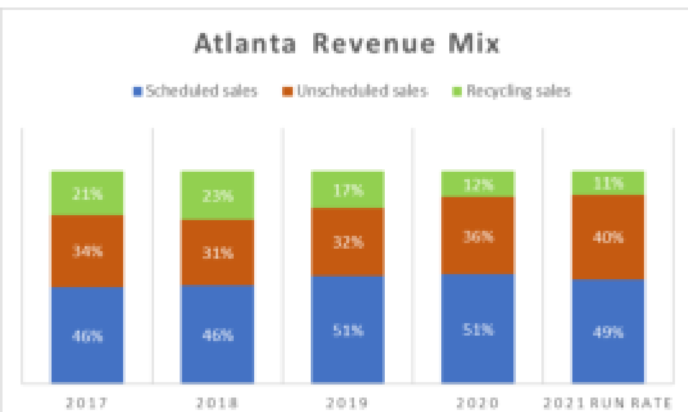
The Company acquired the Proshred Richmond, Virginia business on May 1, 2021. The Richmond acquisition completes the corporate location footprint in the State of Virginia and allows for synergies with the North Virginia corporate location. The business has historically had strong recurring revenue with 50% of total sales being scheduled sales in 2020. For the six months ended June 30, 2021, sales have been ahead of pre-COVID sales levels.

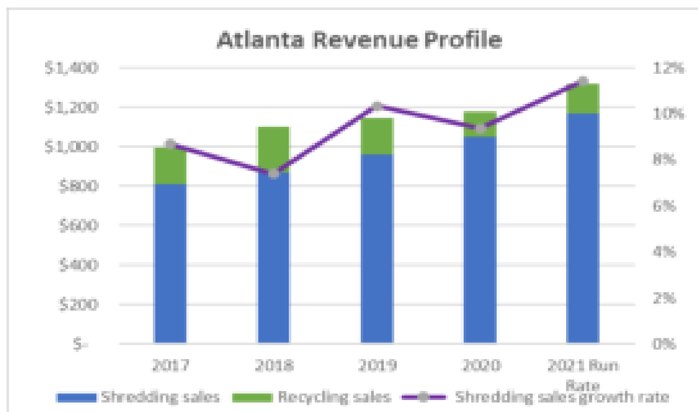




Note 1: Historical information has been provided by the former owner.

Subsequent to Q2-2021, the Company acquired the Proshred Atlanta business on July 30, 2021. The business has historically had strong recurring revenue with 51% of total sales being scheduled sales in 2020. Total sales in 2020 continued to grow in 2020 despite the pandemic.





Note 2: Historical information has been provided by the former owner.

Dollar amounts in thousands of Canadian dollars (except as noted)

General and administrative expenses

General and administrative ("G&A") expenses include costs to support all Proshred locations with operations, training and initial support for pending locations, and the costs to develop new markets by way of franchising and acquisition. Also included in operating expenses are ongoing stock exchange listing and regulatory costs, professional services, management salaries and benefits and acquisition costs related to on-going acquisition activity.

G&A expenses for the three months ended June 30, 2021, increased by 53% as compared to the same period of 2020. During Q2-2020, the Company reduced expenditures to mitigate against the negative impacts that COVID-19 had on the Company's revenues.

General and administrative expenses of the Company are broken down as follows:

	For the three months ended June 30			For the six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Salaries and benefits	**549**	353	56%	**992**	816	22%
Stock based compensation	**41**	41	0%	**57**	104	(45)%
Acquisition costs	**48**	5	860%	**59**	90	(34)%
Professional fees	**122**	80	53%	**198**	142	39%
Technology	**113**	113	0%	**221**	206	7%
Other expenses	**181**	97	87%	**311**	266	17%
Total general and administrative expenses(1)	**1,054**	689	53%	**1,838**	1,624	13%
As a percentage of total revenue	**12%**	11%	1%	**12%**	13%	(1)%
Total general and administrative expenses net of CEWS	**1,054**	498	113%	**1,802**	1,432	26%

Note 1: Does not include Growth Fund expenses. Refer to page 22 for further details.

Other Income and Expenses

Amortization – Corporate locations

Amortization of intangible assets primarily relates to the assets purchased by way of acquisitions. The increase is due to the acquisitions of the Springfield and Richmond businesses offset by the appreciation of the Canadian dollar over the prior year.

	For the three months ended June 30,			For the six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Amortization – intangible assets	**611**	606	1%	**1,240**	1,124	10%

Dollar amounts in thousands of Canadian dollars (except as noted)

Foreign exchange

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

Exchange rates utilized

1 USD:CAD	**2021**		**2020**				**2019**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Average rate	1.25	1.27	1.34	1.35	1.37	1.32	1.33	1.33
Close rate	1.24	1.25	1.27	1.36	1.36	1.41	1.30	1.32

Foreign exchange (loss) gain was as follows:

	For the three months ended June 30,			For the six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Foreign exchange (loss) gain	**(631)**	(1,657)	62%	**(1,139)**	1,973	(158)%

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 for the three and six months ended June 30, 2021, relates to the following:

- the Company's term loans, which currently bear interest at 2.99% to 3.50% per annum,
- truck loan agreements, which bear interest at 3.99% to 5.95% per annum and
- interest on the Company's lease liabilities.

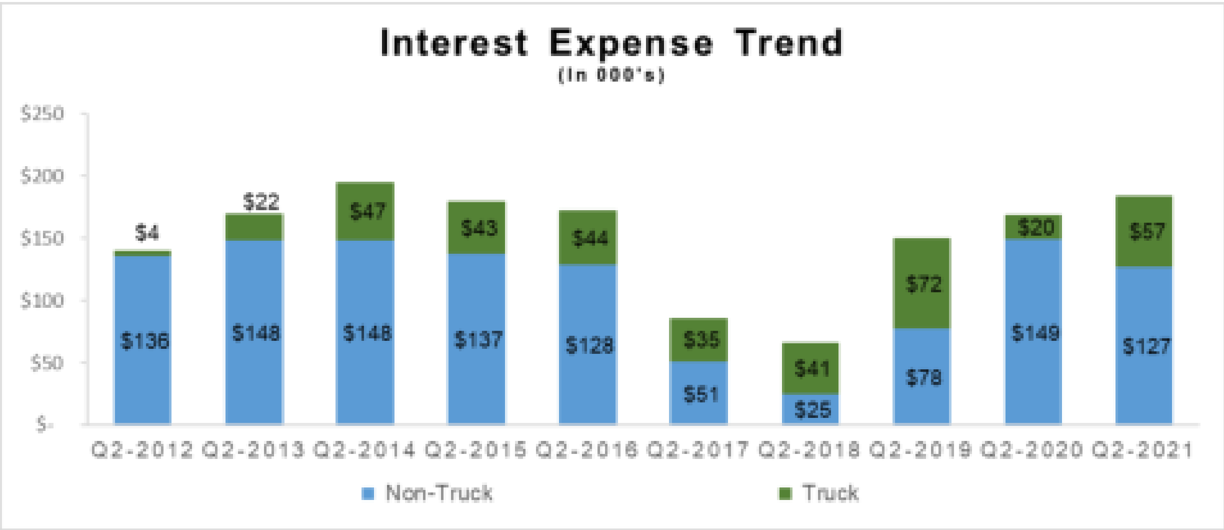
Interest expense increased during the three and six months ended June 30, 2021, as compared to the same period of 2020. The increase was due to the following:

(1) the $5 million advances made on the Company's term loans during 2020 to partially fund acquisitions;
(2) the interest on the office buildings for the Connecticut and Massachusetts locations acquired in 2020; and
(3) the purchase of news trucks during Q2-2021 which were all financed.

Dollar amounts in thousands of Canadian dollars (except as noted)

Interest income and expense (continued)

	For the three months ended June 30,			For the six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
Interest income	**5**	7	(29)%	**8**	41	(80)%
Interest expense	**(231)**	(168)	(38)%	**(484)**	(364)	(33)%



Income Tax

The Company has incurred Canadian non-capital losses that can be carried forward to reduce taxes payable in Canada. The losses expire at various times through to December 31, 2035, commencing December 31, 2031. The Company has also incurred US non-capital losses that can be carried forward to reduce taxes payable in the US. The losses expire at various times through to December 31, 2039, commencing December 31, 2022. The Company has recognized all temporary differences and non-capital losses and is expected to utilize those going forward.

Dollar amounts in thousands of Canadian dollars (except as noted)

Reconciliation of EBITDA to Net Income

	For the three months ended June 30,			For the six months ended June 30,		
	2021	2020	% Change	**2021**	2020	% Change
	$	$		**$**	$	
EBITDA	**2,622**	1,565	68%	4,676	2,924	60%
Less: depreciation – tangible assets	**(1,078)**	(993)	(8)%	(2,111)	(1,837)	(15)%
Operating income	**1,544**	572	171%	2,565	1,087	136%
Less: interest expense	**(231)**	(169)	(37)%	(484)	(364)	(33)%
Add: interest income	**5**	7	(29)%	8	41	(80)%
Operating income less net interest expense	**1,318**	410	222%	2,089	764	173%
Less: amortization - intangible assets	**(623)**	(631)	1%	(1,265)	(1,144)	(11)%
Add: government assistance	**-**	1,262	(100)%	1,318	1,262	4%
Add: revaluation of contingent consideration	**-**	7	100%	-	194	100%
Income before foreign exchange and income tax	**695**	1,048	(34)%	2,142	1,076	99%
Add: foreign exchange (loss) gain	**(633)**	(1,656)	62%	(1,139)	1,973	(158)%
Less/add: income tax (expense) recovery	**(472)**	282	(267)%	(457)	239	(291)%
Net (loss) income	**(410)**	(326)	(26)%	546	3,288	(83)%

Dollar amounts in thousands of Canadian dollars (except as noted)

Selected Quarterly Results

As shredding customers are typically serviced during business days, the quarterly system sales are impacted by the number of business days in any given quarter. This then impacts the Company's royalty fees and corporate revenues. The Company also experiences seasonality for unscheduled shredding with Q2 and Q3 of every year typically being stronger than Q1 and Q4 of every year. In Q1 the Company is impacted by weather challenges that disrupt shredding services. In Q4 the Company is impacted by fewer business days due to the Thanksgiving and Christmas holidays with some impact from weather on shredding sales.

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Total system sales (USD)	12,817	10,682	10,006	10,694	8,726	10,989	10,477	10,954
Consolidated Performance								
Revenue	8,677	7,313	6,144	6,665	6,034	6,594	6,282	5,353
EBITDA	2,622	2,054	1,148	1,866	1,565	1,359	605	1,129
Operating Income	1,544	1,021	212	938	572	515	(112)	441
Corporate Location Performance								
Revenue	8,177	6,805	5,572	6,093	5,532	6,003	5,734	4,662
EBITDA	3,249	2,403	1,528	2,103	1,744	1,783	1,376	1,432
Operating Income	2,195	1,395	634	1,199	776	963	620	801
Operating income (loss) per weighted average share fully diluted	0.020	0.013	0.003	0.012	0.007	0.006	(0.002)	0.006
Income (loss) income before taxes from continuing operations	61	941	(3,845)	433	(608)	3,657	(1,485)	163
Income (loss) attributable to owners of the parent	(410)	956	(3,235)	455	(326)	3,663	(1,396)	153
Basic and diluted net income (loss) per share	(0.005)	0.012	(0.041)	0.006	(0.004)	0.05	(0.01)	0.00

Dollar amounts in thousands of Canadian dollars (except as noted)

Financial Condition, Capital Resources and Liquidity

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

As of December 31,	**2021**	2020	*% Change*
Working capital	**$(1,724)**	$(2,548)	*32%*
Total assets	**$58,823**	$58,688	*0%*
Total liabilities	**$27,768**	$28,280	*2%*
Debt to total assets ratio	**0.47**	0.48	*2%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.64**	1.19	*37%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.07**	2.95	*30%*

As of June 30, 2021, the Company's total assets increased versus December 31, 2020, as the Company purchased the Richmond, Virginia business on May 1, 2021. This was offset by the depreciation of the Company's tangible and intangible assets during the year.

As of June 30, 2021, the Company's total liabilities decreased versus December 31, 2020, as the Company continued to pay down its debts partially offset by the contingent consideration and lease liability assumed as part of the Richmond, Virginia acquisition.

As of June 30, 2021, the Company was compliant with its financial covenants.

Bank facilities

As of June 30, 2021, the Company has the following secured senior credit facilities:

(1) An operating line of credit of $1 million (unused); and
(2) A non-revolving term loan in the amount of CAD$16.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion).

In May 2021, the non-revolving term loan facility of USD$12.5 million was converted to a CAD$16.5 million facility. In addition, the fixed charge coverage ratio bank covenant was reduced from 1.25:1.00 to 1.20:1.00 and the Company's financial institution approved the inclusion of government subsidies in the calculation of the financial covenants.

As of June 30, 2021, the Company has borrowed the following amounts from the non-revolving term loans:

Month of Advance	**Initial amount**	**Interest per annum**	**Amortization period**	**June 30, 2021 Balance**	**December 31, 2020 Balance**
	$			$	$
May, 2019	6,003,210	3.50%	84 months	4,658,104	5,061,933
November, 2019	6,664,242	3.50%	84 months	5,603,880	6,043,111
March, 2020	2,688,000	2.99%	84 months	2,405,173	2,581,834
December, 2020	2,289,600	3.33%	84 months	2,141,855	2,289,600
Total bank facilities				14,809,012	15,976,478

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

As of June 30, 2021, the Company has $1.0 million available on its operating line of credit and $1.4 million available on its non-revolving term loan.

Dollar amounts in thousands of Canadian dollars (except as noted)

Truck loans

In June 2021, the Company established a new USD$1.8 million line of credit for the purchase of shredding vehicles with a lender in the United States. The line of credit is available for a six-month period, at which time a renewal process occurs. The interest rate is based on prevailing market rates at the time the line is used. As of June 30, 2021, the Company has not utilized the line of credit.

During the three months ended June 30, 2021, the Company purchased 7 shredding vehicles which were all financed. As of June 30, 2021, the Company has an outstanding truck loan balance of $5.1 million ($4.0 million – December 31, 2020).

Related party line of credit

The Company has a related party line of credit facility for a maximum amount of $2.0 million. The line of credit facility matures on July 16, 2022 and bears interest at a fixed rate of 10% per annum. The line of credit is secured by a second in priority general security agreement over the Company's assets. As of June 30, 2021, the facility has not been drawn upon ($nil balance – December 31, 2020).

Lease liabilities

The Company enters leases in order to secure office and warehouse space. The Company has also entered leases for the financing of shredding vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Lease liability	**Number of ROU assets leased**	**Range of remaining term**	**Range of interest rates**
Office and warehouse building	13	October 2020 to April 2026	6%
Shredding vehicles	7	August 2021 to October 2022	5.95% to 6.50%

As of June 30, 2021, the Company has a total lease liability balance of $3.5 million ($2.8 million – December 31, 2020).

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.

Dollar amounts in thousands of Canadian dollars (except as noted)

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. There is an accounts receivable balance of $10,079 due from this franchise at June 30, 2021 (December 31, 2020 - $22,775). During the six months ended June 30, 2021, the Company earned royalties, franchise and service fees of $80,129 (June 30, 2020 - $82,961) from this franchise.

Risks and Uncertainties

Please refer to the Company's 2020 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, 2020, 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 the Company's 2020 Annual Report.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

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

	Common stock		Warrants		Total	
	Number	$	Number	$	Number	$
Balance June 30, 2021	78,939,438	34,954,879	1,772,400	579,513	80,711,838	35,534,392
Balance December 31, 2020	78,843,438	34,964,748	1,823,400	600,008	80,666,838	35,564,756

Dollar amounts in thousands of Canadian dollars (except as noted)

The following table summarizes the movements in the Company's stock options during the six months ended June 30, 2021 and December 31, 2020:

	2021		**2020**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding – opening	1,954,317	0.60	2,050,150	0.52
Granted	337,382	0.70	252,000	0.68
Exercised	(45,000)	0.56	(342,833)	0.22
Expired	-	-	(5,000)	0.10
Outstanding – closing	2,246,699	0.62	1,954,317	0.60

For the six months ended June 30, 2021, the net stock compensation charge, after adjusting for stock option forfeitures, amounted to $57,406 (for the six months ended June 30, 2020 – $103,380).

The Company issued 2,002,150 warrants on January 23, 2017 as part of the 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 51,000 warrants exercised during the six months ended June 30, 2021 (nil – six months ended June 30, 2020). There are 1,772,400 warrants outstanding as of June 30, 2021.

Subsequent Events

On July 1, 2021, the Company purchased a customer list in the Albany, New York Market. The Company paid a total of USD$170,000 of which USD$110,000 was paid on closing using the Company's cash reserves. The remaining USD$60,000 is payable in the form of contingent consideration over a twelve-month period if certain financial results are achieved.

On July 30, 2021, the Company completed the acquisition of the Proshred Atlanta business from its franchisee. The acquired location earned a total of USD$1.3 million in revenue for the year 2020 and currently operates a total of 5 shredding trucks and 1 hard-drive destruction truck. The Company paid a total of USD$2.8 million of which USD$1.9 million was paid on closing using the Company's cash reserves. The remaining USD$900,000 is payable in the form of contingent consideration over a two and three-year period if certain financial results are achieved. The Company also drew $854,000 CAD from its non-revolving term loan facility for this acquisition. The loan bears interest at 3.69% and has an amortization period of 84 months.

Dated: August 25, 2021