Management's Discussion and Analysis

December 31, 2023

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Business Overview

Redishred Capital Corp. ("Redishred" or the "Company") 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 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 at December 31, 2023, the Company operates 16 corporate locations directly, three of which also operate the Proscan branded imaging and scanning operations and one of which also operates an electronic waste services business under the Secure e-Cycle brand.

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

1. Expand the location footprint in the U.S. 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 "tuck-in" acquisitions that are accretive.

About Redishred

Redishred's **purpose**, **vision** and **values** are the foundation on which the Company operates.

Purpose

The Company provides secure information destruction services and is both ISO 9001 and NAID AAA certified.

Vision

The Company's vision is to provide easy, durable and environmentally sustainable solutions for our customers, recognizing the responsibility and impact we have on the communities we serve and the environment.

In the fourth quarter and for the full-year 2023 we saved approximately 219,000 and 912,000 trees, respectively, through our paper recycling services(1).

We also strive to optimize the routes we use in providing shredding services to our clients and maintain our shredding vehicles in optimal condition to reduce our carbon footprint. As we look into the future, we will look to operate newer and more fuel-efficient vehicles and we are also exploring the use of shredding vehicles that run on alternative energy sources.

(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.

Values

Operating with integrity, being open and transparent in our communications, creating awareness, holding ourselves accountable, respecting others, and growing, financially and as a business organization, represent our core values.

These core values extend beyond just providing and delivering our core services to customers. We are also involved in our communities and create awareness of issues that impact many. For example, we partner with the American Institute for Cancer Research, annually hosting Nationwide Shred Cancer Events. To date, we have raised over $243 to support cancer research, including through our shred events.

Goals

Through our purpose, vision and values, our goals are to make it easy for our clients to use our services, stay relevant, and empower people. We invest in technology to stay at the forefront of the latest developments in our industry and empower our people to provide the best services to customers. Without our people, this delivery of services to our customers is not possible. The Company has a diverse workforce, both at the customer-facing through to the most senior management positions as we believe the best service is delivered by a diverse and enabled team.

Basis for Presentation

The following management's discussion and analysis has been prepared by management and focuses on key statistics from the consolidated audited financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining all pertinent information, this MD&A should be read in conjunction with material contained in the Company's consolidated audited financial statements for the years ended December 31, 2023 and 2022, which have been prepared in accordance with IFRS Accounting Standards 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, are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at April 29, 2024.

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. 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 growth of the system sales achieved by existing and new locations;
  b. the growth of sales achieved in corporate locations;
  c. the economic conditions in certain regions of the United States;
  d. the level of corporate overhead;
  e. the availability of resources, including vehicles and people;
  f. the level of inflation and corresponding interest rates in the United States and Canada;
  g. the number and size of acquisitions;
  h. the ability to realize efficiencies from acquired operations; and

i. the exchange rate fluctuations between the U.S. and Canadian dollars

(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) anticipated recycling revenues which may be impacted by commodity paper prices, which may be influenced by 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 anticipated sales and efficiencies and by the performance of the local economies;

(v) the awarding of franchises and licences, which are 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 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 MD&A. 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. Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Non-IFRS Financial Measures

There are measures included in this MD&A that do not have a standardized meaning under 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 sales 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 revenue.

- **Shredding System Sales** are sales generated from customers with regular recurring service referred to as scheduled sales and sales generated from customers who have one-time requirements for information destruction referred to as unscheduled sales. Shredding system sales include both paper and product shredding sales, but do not include recycling sales, Secure e-Cycle electronic waste sales, and scanning sales. Shredding system sales include shredding sales 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 both the current period and the comparative period.

- **Consolidated EBITDA** is defined as earnings before interest, taxes, depreciation and amortization. Consolidated EBITDA also excludes government assistance, re-measurements of contingent consideration, foreign exchange gains and losses, and gains and losses on disposal of tangible assets. A reconciliation between net income and consolidated EBITDA is included on page 23.

- **Consolidated EBITDA less Net Recycling** is defined as the consolidated EBITDA excluding the impact of corporate location recycling sales, net of paper baling costs. A reconciliation between net income and consolidated operating income less net recycling is included on page 23.

- **Consolidated Free Cash Flow** is defined as cash provided by operations net of capital expenditures. The calculation of Consolidated Free Cash Flow that begins with cash provided by operating activities is included on page 26.

- **Consolidated Operating Income** is defined as revenues less all operating expenses, including depreciation on 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 23.

- **Corporate Location EBITDA** is defined as earnings for corporately operated locations before interest, taxes, depreciation and amortization and also excludes items identified under the definition of Consolidated EBITDA above.

- **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 and net interest expense.

- **Corporate Location Operating Income less Net Recycling** is the corporate location operating income excluding the impact of corporate location recycling sales, net of paper baling costs.

- **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.

- **Capital Expenditures** is defined as the purchase of tangible and intangible assets, net of proceeds received from their disposal.

- **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 – this performance measure assesses both the Company's and corporate locations performance. Management is focused on growing both the consolidated and corporate locations EBITDA.

3. EBITDA less net recycling revenue growth and margin – this measures the Company's performance, removing the fluctuations of commodity paper prices and baling paper costs.

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

5. Corporate location operating income growth and margin – measures the corporate locations ability to grow cash flow, after factoring in depreciation on tangible assets.

6. Corporate location operating income less net recycling revenue growth and margin – this measures the corporate location's ability to improve operationally, removing the fluctuations of commodity paper prices and baling paper costs.

7. Consolidated free cash flow growth- this measures the Company's ability to grow cash flow and liquidity after factoring in capital expenditures.

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

9. EBITDA per weighted average share, fully diluted- measures the ability of both the Company and the corporate locations to drive EBITDA on a per share basis.

10. EBITDA less net recycling per weighted average share, fully diluted – measures the ability of the Company to drive EBITDA, removing the fluctuations of commodity paper prices and baling paper costs, on a per share basis.

11. Consolidated free cash flow per weighted average share, fully diluted- measures the ability of the Company to drive Consolidated Free Cash Flow on a per share basis.

12. Normalized Fixed Charge Coverage Ratio – a common measure of credit risk used by lenders, this measure considers the Company's ability to pay both interest and principal on outstanding debt and is calculated as defined in the Company's credit facility agreement with one of its lenders. Consistent with the definition thereunder, 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.

13. 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. This ratio is calculated as defined in the Company's credit facility agreement with one of its lenders. Consistent with the definition thereunder, 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.

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

Business locations

The Company's U.S. 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.	Raleigh, NC	Raleigh, Winston Salem, Greensborough and Eastern North Carolina	June 2007
4.	Orange County, CA	Orange County	September 2009
5.	San Diego, CA	San Diego	October 2010
6.	Indianapolis, IN	Greater Indianapolis area	June 2011
7.	Phoenix, AZ	Phoenix, Scottsdale and Tempe	January 2012
8.	Dallas, TX	Dallas and Fort Worth	March 2012
9.	Houston, TX	Greater Houston area	November 2012
10.	San Francisco, CA	San Francisco, Silicon Valley, San Jose, East Bay, Oakland	October 2013
11.	Seattle, WA	Seattle and Tacoma	October 2013
12.	Southern New Jersey, NJ	Southern New Jersey and Delaware	May 2014
13.	Minneapolis, MN	Minneapolis and St. Paul	February 2016
14.	St. Louis, MO	Greater St. Louis area	August 2016

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

The Company's U.S. 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, 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	Bergen, Essex, Morris, Passaic, Union, Middlesex, Sussex, Warren and Somerset County and Newark	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 2020
13.	Richmond, VA	Richmond, Norfolk and Virginia Beach	March 2013. Corporately since May 2021
14.	Atlanta, GA	Greater Atlanta area	January 2012 Corporately since July 2021
15.	Philadelphia, PA	Philadelphia and northern suburbs	September 2006 Corporately since November 2022
16.	Baltimore, MD	Baltimore and Washington, DC	November 2007 Corporately since September 2023

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 December 31,			Year ended December 31,		
	KPI	**2023**	2022	*Change[(a)]*	**2023**	2022	*Change[(a)]*
System Sales Performance – in USD							
Total locations in the United States		**30**	30	-%	**30**	30	-%
Total system sales	(1)	**$18,014**	$18,219	(1)%	**$74,234**	$71,764	3%
% scheduled sales		***53%***	*50%*		***50%***	*48%*	
Consolidated Operating Performance							
Revenue		**$16,816**	$15,409	9%	**$65,934**	$57,226	15%
EBITDA	(2)	**$3,138**	$3,071	2%	**$15,405**	$15,318	1%
EBITDA margin		***19%***	*20%*	*(100) bps*	***23%***	*27%*	*(400) bps*
EBITDA less net recycling	(3)	**$1,520**	$226	573%	**$7,144**	$4,658	53%
EBITDA less net recycling margin		***10%***	*2%*	*800 bps*	***13%***	*10%*	*300 bps*
Operating income	(4)	**$1,106**	$1,203	(8)%	**$7,696**	$9,099	(15)%
Operating income margin		***7%***	*8%*	*(100) bps*	***12%***	*16%*	*(400) bps*
Operating income per weighted average share fully diluted[(d)]	(8)	**$0.06**	$0.07	(14)%	**$0.42**	$0.50	(16)%
EBITDA per weighted average share fully diluted	(9)	**$0.17**	$0.17	-%	**$0.84**	$0.84	-%
EBITDA net recycling per weighted average share fully diluted	(10)	**$0.08**	$0.01	526%	**$0.39**	$0.26	53%
Free cash flow	(7)	**$1,999**	$1,974	1%	**$6,986**	$6,316	11%
Free cash flow per weighted average shared fully diluted	(11)	**$0.11**	$0.11	-%	**$0.38**	$0.35	9%
Corporate Location Performance							
Revenue		**$16,269**	$14,850	10%	**$63,731**	$55,020	16%
EBITDA		**$5,185**	$4,697	10%	**$22,509**	$20,257	11%
EBITDA margin		***32%***	*32%*	*- bps*	***35%***	*37%*	*(200) bps*
Operating income	(5)	**$3,202**	$2,866	12%	**$15,015**	$14,139	6%
Operating income margin		***20%***	*19%*	*100 bps*	***24%***	*26%*	*(200) bps*
Operating income less net recycling	(6)	**$1,584**	$22	7,100%	**$6,753**	$3,482	94%
Operating income less net recycling margin		***11%***	*-%*	*1,100 bps*	***12%***	*8%*	*400 bps*

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

Capital Management

As of December 31,	KPI	2023	2022	Change[a]
Working capital[b]		**$(18,353)**	$(18,809)	*2%*
Debt to total assets ratio		**0.50**	0.52	*(4)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months[c]	(12)	**1.06**	1.82	*(42)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months[c]	(13)	**2.39**	2.11	*13%*

a) Change expressed as a percentage or basis point ("bp"), as applicable.
b) Working capital represents the excess of the Company's current assets over its current liabilities. Included in current liabilities is debt owing under the Company's bank facilities (See 'Bank facilities' section of the MD&A), which is all classified as a current liability based on the demand nature of this facility. The comparative amount for working capital as at December 31, 2022 has also been restated to include the entire amount owing under the bank facilities as a current liability (please refer to note (a) of the 'Selected Annual Information' section of this MD&A for further details). The timing of repayment of amounts owing under the Company's bank facilities based on their contractual repayment schedules is included in the 'Financial Condition, Capital Resources and Liquidity' section of the MD&A.
c) The Company's bank facilities were amended in November 2023 (see 'Bank facilities' section of the MD&A). Amongst the amendments, the minimum fixed charge coverage ratio was updated to reflect that repayments of lease liabilities were now included in the definition of fixed charges under this financial covenant, and the definition of total funded debt, under the total funded debt to EBITDA financial covenant, was updated to include lease liabilities.

Summary of Q4 Results and Operations

Revenue Growth in Q4-2023

The Company achieved 9% total revenue growth during Q4-2023 versus Q4-2022, primarily due to acquisitions conducted during the last 12 months, organic sales growth from new customers and price increases, partially offset by a decrease in recycling revenue from lower commodity paper prices.

Continued Corporate Footprint Growth from Acquisitions

The Company completed the acquisition of the Company's Proshred Baltimore franchise on September 5, 2023, and the acquisition of Oho and Associates, Inc. ("Security Shredding"), a shredding business with operations in New Jersey, on August 31, 2023. The acquisitions that the Company has conducted during the last 12 months have been accretive to the Company's EBITDA and cash flows in Q4-2023.

Consolidated EBITDA and Consolidated EBITDA less net recycling revenue

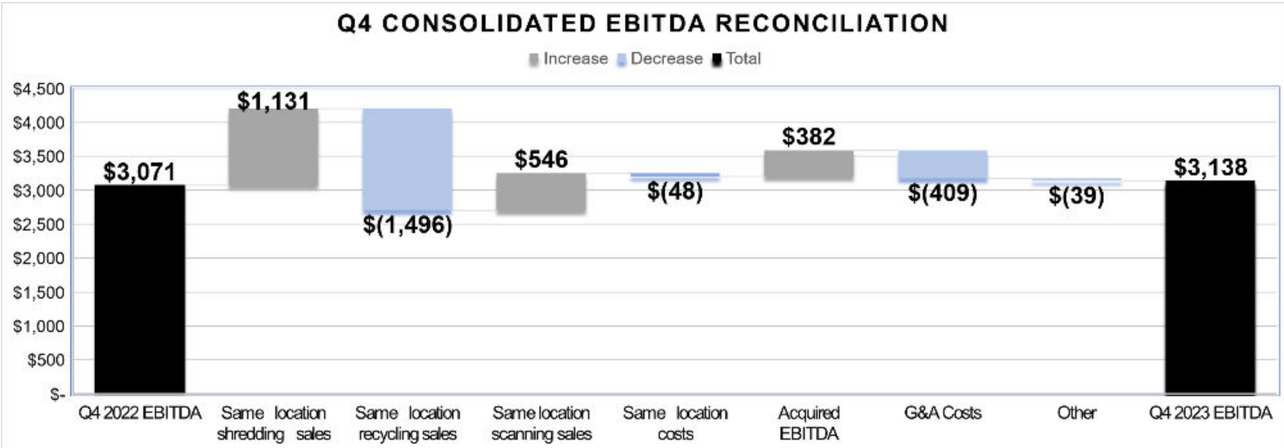
The Company's consolidated EBITDA increased by $67, or 2%, in Q4-2023 when compared to Q4-2022, primarily due to higher shredding revenue (both acquired and organic), partially offset by lower paper commodity prices. The Company also continues to invest in the business, which impacted both Q4-2023 and 2023 full-year consolidated EBITDA, but will drive long-term value creation, with notable investments including:

- Implementing a cloud hosted platform solution which allows for scalability and enhanced security;
- Continuing to enhance the capabilities of its new customer relationship management and marketing automation platform, which should help drive customer lead generation and improve lead closing rates, while also helping in identifying revenue opportunities with existing customers and customer retention; and
- Working towards obtaining a SOC-2 Type II certification, a voluntary compliance standard for service organizations developed by the American Institute of CPAs, that will potentially increase the pipeline of scanning opportunities for the Company's Proscan business.

The Company continued to see strong organic same location service revenue growth and acquired EBITDA contributions from acquisitions that the Company completed in the past twelve months.

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

Consolidated EBITDA, excluding the impact of net recycling revenue, was $1,520 in Q4-2023, growing by $1,294, or 573%, when compared to Q4-2022.



Free Cash Flow

Free Cash Flow in Q4-2023 was $1,999 and was comparable to Q4-2022.

	For the three months ended December 31,		
	2023	2022	*% Change*
	$	$	
Cash provided by operations	**2,959**	2,937	*1%*
Less: Capital expenditures	**(960)**	(963)	*-%*
Free Cash Flow	**1,999**	1,974	*1%*

Strategic Targets

1. Growth of Same Location Shredding System Sales:	
2023 Target	Same location shredding system sales growth to USD$57M.
2023 Performance	***The target was exceeded.*** Same location shredding system sales grew by 11% to USD$59M.
2. Growth in Same Location EBITDA and Operating Income (Corporate Locations):	
2023 Target	Growth in same location EBITDA to $22.1M and growth in same location operating income to $15.6M, with same location EBITDA and operating income margins of 36% and 26%, respectively.
2023 Performance	*The target was not met.* Same location EBITDA and operating income was $20.4M and $13.6M, respectively, with same location EBITDA and operating income margins of 36% and 24%, driven by lower paper prices.

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

3. EBITDA and Operating Income from acquired Corporate Locations:	
2023 Target	EBITDA margin of at least 35% and operating income margin of at least 20% before transition and acquisition costs.
2023 Performance	***The target was exceeded***. The EBITDA and operating income margins, before transition and acquisition costs, from acquired operations were 39% and 28%, respectively.
4. Expand by way of Accretive Acquisitions:	
2023 Target	Add USD$5M to USD$6M in revenue by way of accretive acquisitions.
2023 Performance	*The target was not met.* The Company completed the acquisitions of Proshred Baltimore and Security Shredding in Q3-2023, who have, combined, contributed USD$0.7M in revenue since their acquisitions and had combined revenues of USD$2.6M in 2022.
5. Improve Operating Leverage(1):	
2023 Target	G&A costs at 12% of total revenue.
2023 Performance	*The target was not met*. G&A costs were 13% of total revenue, impacted by lower recycling revenue, and investments in a cloud hosted platform solution, customer relationship management and marketing automation platform, and working towards a SOC II Type II certification.

(1) G&A costs as a percentage of revenue target does not include Growth Fund revenue and costs.

The Company is updating its 2024 Strategic Targets to create improved strategic alignment. 2024 Strategic Targets will include cash flow based and income based metrics, and are planned to be included as part of the Company's Q1 2024 MD&A filing.

Outlook

Demand for Shredding Services Remains Robust

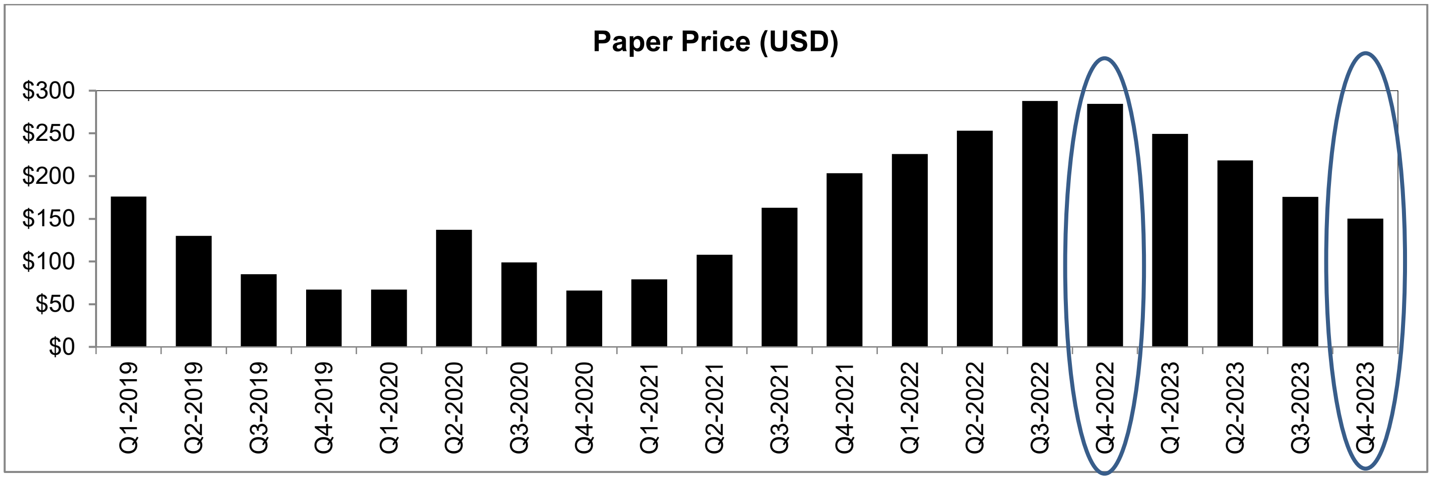
The Company continues to see an increase in marketing leads for both scheduled and unscheduled services. The Company's experienced sales force looks to close these leads at increasing conversion rates, contributing to top-line growth.

The Company is also continuing to see interest in its scanning services, as businesses look to digitize their physical paper documents securely and conveniently. Scanning services for larger customers, including for government customers, is in part dictated by timing and approval of customer budgets, which impacts when the Company performs the services. The Company will continue to leverage marketing efforts to tap into this market.

Recycling Revenue

The average paper price per ton estimated for Q1-2024 based on January to March 2024 paper pricing is USD$147.

The following chart illustrates the average paper price per ton, in USD, since the first quarter of 2019:



Future Growth Opportunities through Accretive Acquisitions

Development by way of acquisitions remains a key component of Redishred's long-term growth strategy. The Company is in discussions with acquisition targets and seeks acquisition opportunities in the United States.

Liquidity

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 and financial covenants under the bank credit facilities. Continued compliance with the financial covenants under the bank credit facilities is dependent on the Company achieving its forecasts. 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 may defer capital expenditures and reduce discretionary spending to ensure compliance with the financial covenants and if necessary, seek waivers, subject to lender approval.

Based on overall cash generation capacity and overall financial position, the Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants as required under its bank credit facilities for a period of at least twelve months from December 31, 2023. This assessment is based on the assumption the bank facilities are not called. In the event that the bank exercises this right to demand repayment prior to the maturity date, the Company would not have the necessary liquidity to repay amounts owing as these are in excess of the Company's available financial assets. In such an event, the Company would then have to look to alternative sources of capital, including alternative credit arrangements or equity funding, neither of which are guaranteed. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

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 (i.e., metals and plastics), (3) the secure 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, Secure e-Cycle electronic waste sales and scanning sales. Same location system sales exclude sales from locations that were not in the system in the comparative period.

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

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

	Three months ended December 31,			**For the year ended December 31,**		
	2023	2022	*%Change*	**2023**	2022	*%Change*
Total U.S. operation locations at period end	**30**	30	*-%*	**30**	30	*-%*
Total system sales (USD)	**$18,014**	$18,219	*(1)%*	**$74,234**	$71,764	*3%*
Total same location system sales (USD)	**$17,901**	$18,219	*(2)%*	**$73,301**	$71,764	*2%*

System Sales Breakdown:

The system sales mix in USD for the three months and years ended December 31, 2023 and 2022 is as follows:

System sales in USD For the three months ended December 31,	**2023**	2022	*%Change*
	$	$	
Scheduled	**9,554**	8,896	*7%*
Unscheduled	**5,343**	4,733	*13%*
Recycling	**2,194**	4,053	*(46)%*
Scanning	**670**	262	*156%*
Secure e-Cycle electronic waste	**253**	275	*(8)%*
Total System Sales	**18,014**	18,219	*(1)%*

System sales in USD For the year ended December 31,	**2023**	2022	*%Change*
	$	$	
Scheduled	**37,255**	33,134	*12%*
Unscheduled	**21,831**	19,935	*10%*
Recycling	**12,167**	15,808	*(23)%*
Scanning	**1,948**	1,813	*7%*
Secure e-Cycle electronic waste	**1,032**	1,074	*(4)%*
Total System Sales	**74,234**	71,764	*3%*

Scheduled system sales:

Scheduled system sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. In Q4-2023, scheduled sales grew 7% over Q4-2022 and reached a record high of USD$9.5 million.

Unscheduled system sales:

Unscheduled system sales are defined as the revenue generated from customers who have one-time 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 Q4-2023, unscheduled system sales grew 13% over Q4-2022, driven by a growing customer base and large one-time customer requirements.

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

Recycling sales:

Recycling sales are defined as the revenue generated from 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 December 31,			**For the year ended December 31,**		
	2023	2022	*% Change*	**2023**	2022	*% Change*
Recycling system sales (USD)	**$2,194**	$4,053	*(46)%*	**$12,167**	**$15,808**	*(23)%*
Tonnage processed (units)	**14,614**	14,236	*3%*	**60,825**	**59,719**	*2%*
Average paper price per ton	**150**	285	*(47)%*	**200**	**265**	*(25)%*

The Proshred system saved approximately 219,000 trees during Q4-2023 (214,000– during Q4-2022), from the tonnage processed during the period. (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.

Secure e-Cycle electronic waste sales:

Secure e-Cycle branded electronic waste sales are defined as the revenue generated from the disposal of client's electronic waste and/or products by way of this service offering in the Company's Kansas City market, servicing the Midwestern United States. In Q4-2023, Secure e-Cycle electronic waste sales decreased by 8% compared to Q4-2022.

	For the three months ended December 31,			**For the year ended December 31,**		
	2023	2022	*% Change*	**2023**	2022	*% Change*
Secure e-Cycle electronic waste sales (USD)	**253**	**275**	*(8)%*	**1,032**	1,074	*(4)%*

Scanning sales:

Scanning sales are defined as the revenue generated from customers who have documents requiring scanning and indexing to digitize and store electronically. The Company currently provides scanning services in its Massachusetts, Charlotte, and Richmond markets. In Q4-2023, scanning sales increased by 156% over Q4-2022, primarily due to the timing of new scanning projects.

	For the three months ended December 31,			**For the year ended December 31,**		
	2023	2022	*% Change*	**2023**	2022	*% Change*
Scanning sales (USD)	**670**	262	*156%*	**1,948**	1,813	*7%*

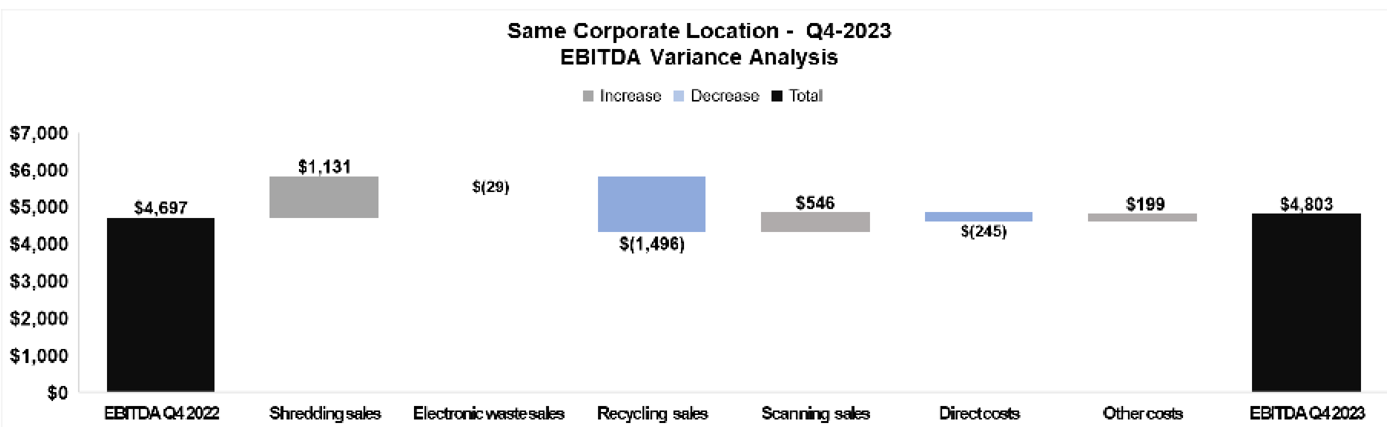
Dollar amounts in thousands of Canadian dollars (except as noted)

Corporate Location Results – For the three months ended December 31

As at December 31, 2023, the Company operated sixteen corporate locations. Refer to the "Business Locations" section of this MD&A for a list of the Company's locations. Same corporate location results include all locations except for results for the Baltimore location, which was acquired on September 5, 2023, and the results of Security Shredding, which was acquired on August 31, 2023.

Total corporate location revenue and EBITDA grew by 10% and 8%, respectively, in Q4-2023 versus Q4-2022. Same location revenue grew by 1% in Q4-2023 versus Q4-2022, with EBITDA remaining unchanged, driven by shredding revenue and scanning sales growth, offset by lower recycling revenue due to lower pricing for this commodity.

For the three months ended December 31, 2023	Quarter-over-quarter growth	Constant currency quarter-over-quarter growth
Same Corporate Locations:		
Total Sales	1%	1%
EBITDA	2%	2%
Operating Income	-%	1%
Total Corporate Locations:		
Total Sales	10%	10%
EBITDA	10%	11%
Operating Income	12%	13%



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

	Total Corporate Locations			**Same Corporate Locations**			**Non-same Corporate Locations**	
For the three months ended December 31,	**2023**	2022	*% Change*	**2023**	2022	*% Change*	**2023**	2022
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**13,150**	10,958	*20%*	**12,090**	10,958	*10%*	**1,060**	-
Secure E-cycle electronic waste sales	**343**	372	*(8)%*	**343**	372	*(8)%*	-	-
Scanning sales	**906**	360	*152%*	**906**	360	*152%*	-	-
Recycling sales	**1,870**	3,160	*(41)%*	**1,664**	3,160	*(47)%*	**206**	-
Total sales	**16,269**	14,850	*10%*	**15,003**	14,850	*1%*	**1,266**	-
Operating costs (1)	**11,084**	10,153	*9%*	**10,200**	10,153	*-%*	**884**	-
EBITDA	**5,185**	4,697	*10%*	**4,803**	4,697	*2%*	**382**	-
% of revenue	***32%***	*32%*	*- bps*	***32%***	*32%*	*- bps*	***30%***	
Depreciation – tangible assets	**1,983**	1,831	*8%*	**1,929**	1,831	*5%*	**54**	-
Operating income	**3,202**	2,866	*12%*	**2,874**	2,866	*-%*	**328**	-
% of revenue	***20%***	*19%*	*100 bps*	***19%***	*19%*	*- bps*	***26%***	
Operating income less net recycling	**1,584**	22	*7,100%*	**1,445**	22	*6,468%*	**139**	-
% of revenue excluding net recycling	***11%***	*-%*	*1,100 bps*	***11%***	*-%*	*1,100 bps*	***13%***	
EBITDA – in USD	**3,803**	3,438	*11%*	**3,524**	3,438	*3%*	**279**	-
% of revenue	***32%***	*32%*	*- bps*	***32%***	*32%*	*- bps*	***30%***	

Note 1: During the three months ended December 31, 2023, acquisition/vendor-related consulting fees of $68 (three months ended December 31, 2022- $236) are included in the total and non-same corporate location operating costs.

Total corporate location EBITDA and operating income, excluding the impact of net recycling revenue, grew by 10% and 7,100%, respectively.

Corporate Location Results - For the year ended December 31

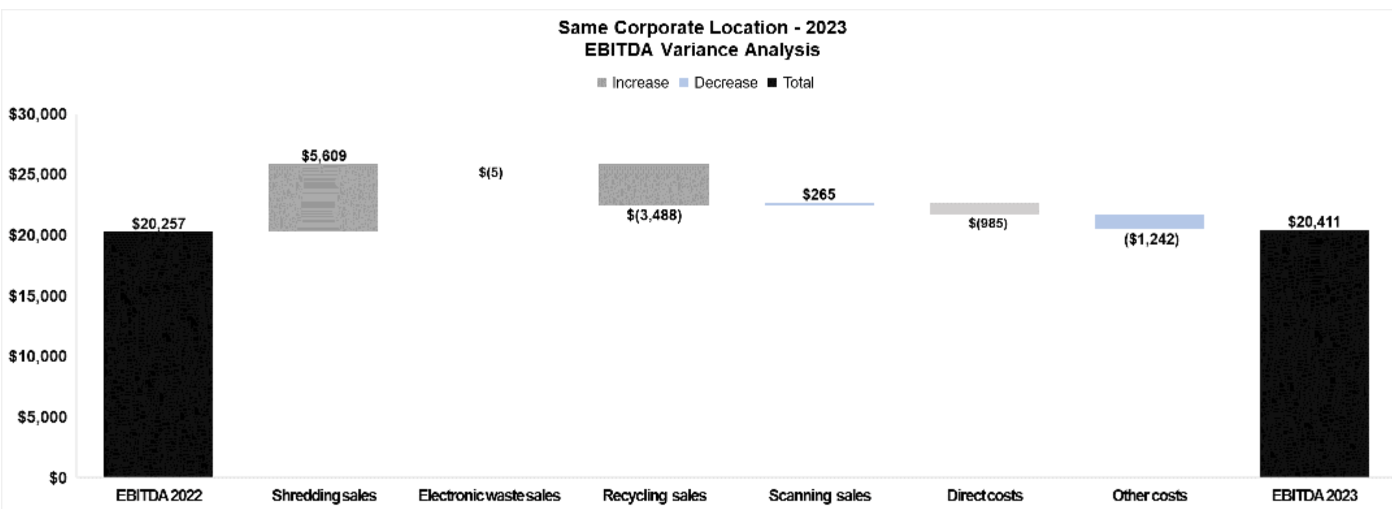
As at December 31, 2023, the Company operated sixteen corporate locations. Refer to the "Business Locations" section of this MD&A for a list of the Company's locations. Same corporate location results include all locations except for results for:

- Mobile Document Destruction ("MDD"), acquired on March 1, 2022, for the period from January to Feb 2023;
- Safeguard Document Destruction Inc. ("SDD"), acquired on June 1, 2022, for the period from January to May 2023;
- Tech Shredders LLC ("Tech Shredders"), acquired on August 1, 2022, for the period from January to July 2023;
- Proshred Philadelphia, acquired on November 1, 2022, for the period from January to October 2023;
- Security Shredding, acquired on August 31, 2023, since its acquisition date; and
- Proshred Baltimore, acquired on September 5, 2023, since its acquisition date.

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

Total corporate location revenue and EBITDA grew by 16% and 11%, respectively, during the year ended December 31, 2023, as compared to the same period in 2022, driven by acquisitions completed in the past twelve months, and organic growth from same locations. Same corporate location revenue and EBITDA grew by 4% and 1%, respectively, during the year ended December 31, 2023, as compared to the same period in 2022. Same corporate location operating income, excluding the impact of net recycling revenue, grew 88% during the year ended December 31, 2023, as compared to the same period in 2022.

For the year ended December 31, 2023	**Year-over-year growth**	**Constant currency year-over-year growth**
Same Corporate Locations:		
Total Sales	4%	1%
EBITDA	1%	(3)%
Operating Income	(4)%	(7)%
Total Corporate Locations:		
Total Sales	16%	12%
EBITDA	11%	7%
Operating Income	6%	2%



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

	Total Corporate Locations			**Same Corporate Locations**			**Non-same Corporate Locations**	
For the year ended December 31,	**2023**	2022	*% Change*	**2023**	2022	*% Change*	**2023**	2022
	$	$		**$**	$		**$**	$
Revenue:								
Shredding sales	**50,280**	39,612	*27%*	**45,222**	39,612	*14%*	**5,058**	-
Secure e-Cycle electronic waste sales	**1,393**	1,398	*-%*	**1,393**	1,398	*-%*	**-**	-
Scanning sales	**2,625**	2,360	*11%*	**2,625**	2,360	*11%*	**-**	-
Recycling sales	**9,433**	11,650	*(19)%*	**8,162**	11,650	*(30)%*	**1,271**	-
Total sales	**63,731**	55,020	*16%*	**57,402**	55,020	*4%*	**6,329**	-
Operating costs[(1)]	**41,222**	34,763	*19%*	**36,991**	34,763	*6%*	**4,231**	-
EBITDA	**22,509**	20,257	*11%*	**20,411**	20,257	*1%*	**2,098**	-
% of revenue	***35%***	*37%*	*(200) bps*	***36%***	*37%*	*(100) bps*	***33%***	
Depreciation – tangible assets	**7,494**	6,118	*22%*	**6,805**	6,118	*11%*	**689**	-
Operating income	**15,015**	14,139	*6%*	**13,606**	14,139	*(4)%*	**1,409**	-
% of revenue	***24%***	*26%*	*(200) bps*	***24%***	*26%*	*(200) bps*	***22%***	
Operating income less net recycling	**6,754**	3,482	*94%*	**6,532**	3,482	*88%*	**222**	-
% of revenue excluding net recycling	***12%***	*8%*	*400bps*	***13%***	*8%*	*500 bps*	***4%***	
EBITDA – in USD	**16,677**	15,567	*7%*	**15,123**	15,567	*(3)%*	**1,554**	-
% of revenue	***35%***	*37%*	*(200) bps*	***36%***	*37%*	*(200) bps*	***33%***	

Note 1: During the year ended December 31, 2023, acquisition/vendor-related consulting fees of $375 (year ended December 31, 2022- $603) are included in the total and non-same corporate location operating costs.

Acquisitions

The Company completed the following acquisitions during 2023:

(1) the Proshred Baltimore business from its franchisee on September 5, 2023; and
(2) Security Shredding, a New Jersey based shredding business on August 31, 2023;

These acquisitions have been accretive to the Company's EBITDA and cash flows.

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.

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

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

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	*% Change*	**2023**	2022	*% Change*
	$	$		**$**	$	
Salaries and benefits	**882**	733	*20%*	**3,770**	2,867	*31%*
Stock based compensation	**134**	84	*60%*	**424**	302	*40%*
Acquisition costs(1)	**68**	63	*8%*	**214**	247	*(13)%*
Professional fees	**406**	247	*64%*	**1,131**	920	*23%*
Technology (2)	**289**	248	*17%*	**1,194**	669	*78%*
Other expenses	**632**	695	*(9)%*	**1,992**	1,600	*25%*
Total selling, general and administrative expenses(3)	**2,411**	2,070	*16%*	**8,725**	6,605	*32%*
As a percentage of total revenue	***14%***	*13%*	*100 bps*	***13%***	*12%*	*100 bps*

(1) Acquisition costs incurred during the three months and year ended December 31, 2023, relate primarily to the legal costs incurred in connection with acquisition activity.
(2) Technology costs incurred during the three months and year ended December 31, 2023, include technology costs incurred in connection with implementing a new cloud computing platform, and enhancements to the Company's new CRM.
(3) Does not include Growth Fund expenses.

G&A expenses for the three months and year ended December 31, 2023, increased by 16% and 32%, respectively, compared to the same periods in 2022, driven by investment in the Company's human capital and technology initiatives in cloud computing and CRM enhancements to support the Company's growth.

Other Income and Expenses

Impairment of Goodwill

The Company performs an impairment test of long-lived assets when there is an indication of impairment, which includes indicators such as when actual sales are significantly less than budgeted, profits are significantly less than prior years' profits and when significant events and circumstances indicate that the carrying amount may not be recoverable. There were no indicators of impairment of the Company's long-lived assets during the year ended December 31, 2023 or December 31, 2022 to warrant an analysis to be performed. Goodwill is tested for impairment at least annually. The Company performed its annual impairment on December 31, 2023, with the recoverable amount of all of the Company's cash-generating units at or exceeding their carrying amount and no impairment recognized (year ended December 31, 2022- nil).

Amortization – Corporate locations

Amortization of intangible assets primarily relates to intangible assets purchased by way of acquisitions. The increase in amortization is primarily due to acquisitions completed in the past twelve months and amortization of intangibles acquired as part of the Proshred Philadelphia and Baltimore acquisitions.

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	% Change	**2023**	2022	% Change
	$	$		**$**	$	
Amortization – intangible assets	**1,067**	**959**	*11%*	**4,108**	**3,373**	*22%*

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

Contingent Consideration

The Company has earn-out payments owing for acquisitions completed that are contingent on certain earn-out targets being met. During the three months and year ended December 31, 2023, the Company recorded a remeasurement gain of $280 and $399, respectively, on contingent consideration (three months and year ended December 31, 2022- remeasurement gain of $5 and $122, respectively).

As at December 31, 2023, the Company has the following related to contingent consideration:

Range of origination	Range of payouts	Current portion	Long-term portion	Range of maturity
December 31, 2020 to September 4, 2023	USD$0 to USD$5,696	CAD$3,226 USD$2,439	CAD$320 USD$242	January 1, 2024 to June 1, 2027

Foreign exchange

The Company has revenues and costs that are denominated in US dollars; this dependency on the USD typically causes foreign exchange gains when the Canadian dollar depreciates versus the USD. The year ended December 31, 2023, average exchange rate is up 5% versus the comparative period in 2022.

Exchange rates utilized

1 USD:CAD	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Average rate	1.35	1.35	1.35	1.35	1.30	1.28	1.27	1.27
Close rate	1.32	1.32	1.32	1.35	1.35	1.37	1.29	1.25

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	% Change	**2023**	2022	% Change
	$	$		**$**	$	
Foreign exchange (loss) gain	**(1,248)**	(664)	(88)%	**(1,400)**	3,382	(141)%

Gain on disposition of tangible assets

The Company disposed of certain shredding vehicles during the year ended December 31, 2023 for proceeds of $408 and recognized a resultant gain on disposition of these tangible assets of $154 (for the year ended December 31, 2022 proceeds of $369 and resultant gain on disposition of $158), with the gain recognized in the Company's consolidated statement of comprehensive income.

Interest income and expense

Interest income is derived primarily from cash savings accounts held by the Company.

Interest expense for the three months and year ended December 31, 2023 relates to the following:

(1) the Company's fixed rate term loans;

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

(2) truck loan agreements;
(3) interest on the Company's lease liabilities; and
(4) non-cash interest accretion on the Company's contingent consideration owing.

Interest expense increased during the three months and year ended December 31, 2023, as compared to the same period in 2022, due to the following:

(1) loan borrowings to partially fund acquisitions;
(2) interest on office leases assumed as part of the acquisitions completed in the past twelve months; and
(3) the purchase of new trucks in the past twelve months which were all financed.

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	*% Change*	**2023**	2022	*% Change*
	$	$		**$**	$	
Interest income	**-**	36	*(100)%*	**14**	47	*(70)%*
Interest expense[(a)]	**(628)**	(711)	*(12)%*	**(2,509)**	(1,904)	*32%*

(a) Includes non-cash interest accretion on contingent consideration owing for the three months and year ended December 31, 2023 of $69 and $359, respectively (three months and year ended December 31, 2022- $140 and $424, respectively).

Income Tax

The Company has incurred Canadian non-capital losses of $3,659 that can be carried forward to reduce taxes payable in Canada. The losses expire at various times commencing December 31, 2035. The Company has incurred U.S. non-capital losses of $10,949 that can be carried forward to reduce taxes payable in the U.S. The losses expire at various times commencing December 31, 2024.

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

Reconciliation of EBITDA to Net Income

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	*% Change*	**2023**	2022	*% Change*
	$	$		**$**	$	
EBITDA	**3,138**	3,071	*2%*	**15,405**	15,318	*1%*
Less: net recycling revenue	**(1,618)**	(2,845)	*(43)%*	**(8,261)**	(10,660)	*(23)%*
EBITDA less net recycling revenue	**1,520**	226	*573%*	**7,144**	4,658	*53%*
Add: net recycling revenue	**1,618**	2,845	*(43)%*	**8,261**	10,660	*(23)%*
Less: depreciation – tangible assets	**(2,032)**	(1,868)	*9%*	**(7,709)**	(6,219)	*24%*
Operating income	**1,106**	1,203	*(8)%*	**7,696**	9,099	*(15)%*
Less: interest expense	**(628)**	(711)	*(12)%*	**(2,509)**	(1,904)	*32%*
Add: interest income	**-**	36	*(100)%*	**14**	47	*(70)%*
Less: amortization – intangible assets	**(1,067)**	(959)	*11%*	**(4,108)**	(3,373)	*22%*
Add: other income	**99**	95	*4%*	**206**	95	*117%*
Add: gain on disposition of tangible assets	**138**	107	*29%*	**154**	158	*(3)%*
Add/(deduct): remeasurement of contingent consideration	**280**	5	*5,500%*	**399**	122	*227%*
Add/(deduct): foreign exchange gain (loss)	**(1,248)**	(664)	*88%*	**(1,400)**	3,382	*(141)%*
Income (loss) before income taxes	**(1,320)**	(888)	*49%*	**452**	7,626	*(94)%*
Less: income tax expense	**(42)**	(211)	*(80)%*	**(981)**	(1,752)	*(44)%*
Net (loss) income	**(1,362)**	(1,099)	*24%*	**(529)**	5,874	*(109)%*

Selected Annual Information

	2023	**2022**	**2021**
	$	$	$
Revenue	65,934	57,226	36,199
Net income (loss)	(529)	5,874	1,358
Operating income less net interest expense per share – diluted	0.28	0.40	0.22
Net income per share – basic	(0.03)	0.32	0.09
Net income per share – diluted	(0.03)	0.32	0.08
Total assets	95,031	97,811	79,334
Total non-current liabilities[(a)]	14,514	15,019	10,224
Dividends	-	-	-

(a) Prior period comparative amounts have been corrected and restated such that all amounts owing under the Company's bank facilities are classified as a current liability based on the demand nature of the facilities. The Company previously was classifying amounts owing under its bank credit facilities as current or non-current long-term debt based on the applicable maturity date for the given advance under these facilities. The impact of this error was that the current portion of the long-term debt was understated by $18,817 and $17,426 as at December 31, 2022 and 2021 respectively, with the long-term portion of the debt being overstated by the same amount. The timing of repayment of amounts owing under the Company's bank facilities based on their contractual repayment schedules is included in the 'Financial Condition, Capital Resources and Liquidity' section of the MD&A.

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's unscheduled shredding in Q2 and Q3 typically tends to be stronger than Q1 and Q4 of each 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.

	2023[(a)]				2022[(a)]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Total system sales (USD)	18,014	17,674	19,238	19,308	18,219	18,388	18,748	16,409
Consolidated Performance								
Revenue	16,816	15,371	16,751	16,996	15,409	14,703	14,597	12,517
EBITDA	3,138	3,042	4,488	4,737	3,071	3,641	4,540	4,066
Operating Income	1,106	1,228	2,501	2,861	1,203	2,014	3,150	2,732
Operating income per weighted average share fully diluted	0.06	0.07	0.14	0.16	0.07	0.11	0.17	0.15
Income (loss) income before taxes from continuing operations	(1,320)	1,225	(593)	1,140	(888)	4,229	3,497	788
Net income (loss)	(1,362)	1,068	(970)	735	(1,099)	3,887	2,813	273
Basic and diluted net income (loss) per share	(0.07)	0.06	(0.05)	0.04	(0.06)	0.21	0.15	0.02
Corporate Location Performance								
Revenue	16,269	14,859	16,184	16,418	14,850	14,137	14,038	11,995
EBITDA	5,185	5,052	6,200	6,070	4,697	4,915	5,717	4,928
Operating Income	3,202	3,286	4,259	4,265	2,866	3,306	4,351	3,616

(a) Please refer to note (a) of the 'Selected Annual Information' section of the MD&A. The Company's bank facilities were similarly presented as current or non-current long-term debt in the interim quarterly statements of financial position based on the applicable maturity date for the given advance under these facilities. Based on the demand nature of these bank facilities, these should all be classified as current liabilities.

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.

	For the three months ended December 31,		For the year ended December 31,	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Net cash provided by operations	2,959	2,937	12,783	11,587
Net cash provided by/(used) in financing activities	(1,934)	3,667	(5,041)	2,140
Net cash used in investing activities	(990)	(10,720)	(10,686)	(16,861)
Effect of foreign exchange rate changes	(30)	(168)	(141)	170
Change in cash	5	(4,284)	(3,085)	(2,964)
Cash, beginning of period	3,606	10,980	6,696	9,660
Cash, end of period	**3,611**	**6,696**	**3,611**	**6,696**

For the three months and year ended December 31, 2023, the Company generated positive cash flows from operations driven by positive Consolidated EBITDA. During the three months and year ended December 31, 2023, cash used in financing activities related to cash used to repay term and truck loans, lease liabilities, and contingent consideration owing, partially offset by financing of truck purchases and for the year ended December 31, 2023, acquisitions completed. Cash used in investing activities during the three months and year ended December 31, 2023, related to the purchase of tangible assets and for the year ended December 31, 2023, the Proshred Baltimore and Security Shredding acquisitions completed.

As at December 31,	**2023**	2022	*% Change*
Working capital[(a)]	**$(18,353)**	$(18,809)	*2%*
Total assets	**$95,031**	$97,811	*(3)%*
Total non-current liabilities[(b)]	**$14,514**	15,019	*(3)%*
Total liabilities	**$47,900**	$50,530	*(5)%*
Debt to total assets ratio	**0.50**	0.52	*(4)%*
Normalized Fixed Charge Coverage ratio – rolling 12 months	**1.06**	1.82	*(42)%*
Normalized Total Funded Debt to EBITDA ratio – rolling 12 months	**2.39**	2.11	*13%*

(a) Please refer to the 'Capital Management' section of the MD&A for further details on working capital, including its definition and calculation.
(b) Please refer to the 'Selected Annual Information' section of the MD&A for further details on Total non-current liabilities.

The increase in working capital as at December 31, 2023, was primarily driven by the repayment of the current portion of long-term debt and the increase in trade and other receivables, partially offset by the use of cash to fund acquisitions completed.

The decrease in total assets as at December 31, 2023 was driven by cash used to fund acquisitions and the amortization of intangible assets, partially offset by intangible assets acquired as part of acquisitions completed.

The decrease in total non-current and total liabilities as at December 31, 2023 was due to payments of contingent consideration owing and repayment of long-term debt.

As at December 31, 2023, the Company was in compliance with its financial covenants.

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

The Company's Consolidated Free Cash flow is calculated as follows:

	For the three months ended December 31,			For the year ended December 31,		
	2023	2022	*% Change*	**2023**	2022	*% Change*
	$	$		**$**	$	
Cash provided by operations	**2,959**	2,937	*1%*	**12,783**	11,587	*10%*
Less: Capital expenditures	**(960)**	(963)	*0%*	**(5,797)**	(5,271)	*10%*
Free Cash Flow	**1,999**	1,974	*1%*	**6,986**	6,316	*11%*

Dividends

The Company has not declared and paid any dividends during the three months and year ended December 31, 2023 and 2022.

Bank facilities

As at December 31, 2023, the Company has the following secured senior demand credit facilities:

(1) A demand operating line of credit of CAD$1 million.
(2) A demand non-revolving re-advanceable term loan acquisition facility in the amount of CAD$40 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion); and
(3) A demand revolving re-advanceable interest only acquisition facility in the amount of CAD$6 million to fund acquisitions up to USD$1.5 million (advances can be taken in either USD or CAD equivalent, at the Company's discretion). The principal amount of any advance made under this facility is required to be repaid in full on or prior to twelve months from the date of such advance, by way of an advance under the Company's demand term loan acquisition facility noted above.

As at December 31, 2023, the Company has borrowed the following amounts on the demand non-revolving term loan acquisition facility:

Month of Advance	**Initial Amount**	**Interest per annum**	**Amortization period*** **	**December 31, 2023 balance**	**December 31, 2022 balance**
	$			**$**	**$**
May, 2019	6,003	3.50%	72 months	2,612	3,477
November, 2019	6,664	3.50%	84 months	3,374	4,319
March, 2020	2,688	2.99%	84 months	1,514	1,891
December, 2020	2,290	3.33%	84 months	1,368	1,700
August, 2021	854	3.69%	84 months	593	708
December, 2021	6,290	6.52%	84 months	5,226	6,083
November, 2022*	5,400	7.47%	84 months	4,735	5,349
September, 2023**	1,412	7.83%	84 months	1,386	-
Total				**20,808**	**23,527**

**Loan bears interest at the fixed rate of interest of 7.47% for a term of twenty-four (24) months from the date of origination of November 1, 2022.*
***Loan bears interest at the fixed rate of interest of 7.83% for a term of thirty-six (36) months from the date of origination of September 5, 2023.*

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

**** Amortization period disclosed is according to the respective maturity dates on the basis repayment is not demanded by the bank earlier.*

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.

In November of 2023, the Company's bank credit facilities were amended as follows:

1) The amount available to borrow under the demand non-revolving re-advanceable term loan acquisition facility was increased by $14 million;
2) A demand revolving re-advanceable interest only acquisition facility in the amount of CAD$6 million was added; and
3) The minimum fixed charge coverage ratio was updated to reflect that repayments of lease liabilities were now included in the definition of fixed charges under this financial covenant. The definition of total funded debt, under the total funded debt to EBITDA financial covenant, was updated to include lease liabilities, with the maximum ratio for this financial covenant updated to reflect this. The maximum senior debt to EBITDA financial covenant ratio was also updated to reflect these changes.

These amendments to the bank credit facilities were considered non-substantive changes under IFRS 9, Financial Instruments, and as such, did not require the extinguishment of the existing liability and recognition of a new liability.

Truck loans

In July 2023, the Company established a new USD$3.5 million non-revolving line of credit for the purchase of shredding vehicles. The interest rate on this facility is based on prevailing market rates at the time the line is used. As at December 31, 2023, the Company had USD$2.0 million available on this line of credit.

Also refer to the 'Subsequent events' section of this MD&A for details of the new truck loan facility that was established by the Company with this lender subsequent to December 31, 2023.

Lease liabilities

The Company enters into leases in order to secure office and warehouse space. The Company has also entered into 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 an Right-of-use ("ROU") asset and a lease liability.

Lease Liability	**Number of ROU assets leased**	**Range of remaining term**	**Range of interest rates**	**Lease balance as of December 31, 2022**
				$
Office and warehouse building	17	August 2024 to September 2030	4.75% to 8.25%	5,299
Shredding vehicles	4	August 2025 to January 2027	5.95% to 7.00%	183
Total				**5,482**

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

The table below summarizes the remaining principal payments on the Company's financial liabilities:

	Less than 3 months	3 months to 1 year	1 – 5 years	Over 5 years
	$	$	$	$
Accounts payable and accrued liabilities	5,287	61	-	-
Long-term debt[(a)]	2,202	5,366	21,664	1,230
Contingent consideration	2,173	1,053	320	-
Lease liabilities	406	1,167	3,697	212

(a) *Repayments of principal on long-term debt are based on the respective loan maturity dates on the basis repayment is not demanded by the bank earlier.*

Based on overall cash generation capacity and financial position, while there can be no assurance, management believes the Company will be able to meet its financial obligations as they come due over the next twelve months. This assessment is based on the assumption the bank facilities are not called.

Shareholders' equity

Shareholders' equity as at December 31, 2023 and December 31, 2022, was $47,131 and $47,281, respectively.

Commitments

The Company leases office and warehouse space under lease agreements and has obligations under its credit facilities. Please refer to the "Bank facilities", "Truck Loans" and "Lease liabilities" sections above for further details.

In December, 2023, the Company entered into a five-year lease agreement for a new office space in New York with an expected commencement date of April 1, 2024. As the lease has not commenced, a right-of-use asset and lease liability for this lease has not been recognized on the Company's audited consolidated financial statements for the year ended December 31, 2023. Annual rent for this new office space upon lease commencement is $161 for the first year and it increases thereafter by three and a half percent (3.5%) per year.

Public Offering and Use of Proceeds

The Company's use of proceeds from the December 2021 Public Offering of Common Shares completed under the Shelf Prospectus, has not changed from the disclosure set forth in the "Use of Proceeds" section of the document through to the date of this MD&A.

Normal Course Issuer Bid

On May 8, 2023, the Toronto Stock Venture Exchange accepted the notice filed by the Company to implement a Normal Course Issuer Bid ("NCIB") program. The NCIB expires on May 7, 2024. Under the NCIB, the Company may repurchase for cancellation up to 987,800 public float shares in its own capital stock.

Off-Balance Sheet Financing Arrangements

The Company has no off-balance sheet financing arrangements.

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

Transactions with Related Parties

The Company defines its key management personnel as being the Chief Executive Officer, the Chief Financial Officer, the Senior Vice President of Finance and Acquisitions, and the Board of Directors. Remuneration paid to key management personnel during the year ended December 31, 2023 and 2022 was as follows:

	2023	2022
	$	$
Wages and benefits	1,546	1,035
Share-based compensation	279	224
Total compensation of key management	1,825	1,259

A Director of the Company is the owner of the Tampa Bay, Florida Proshred franchise. There is an accounts receivable balance of $5 due from this franchise as at December 31, 2023 (December 31, 2022 - $5). During the year ended December 31, 2023, the Company earned royalties, franchise and service fees of $188 (December 31, 2022 - $183) from this franchise.

Risks and Uncertainties

The Company's financial performance is likely to be subject to the following risks:

Competition

The Company competes with numerous independent shredding operators in the document destruction business, some of which compete directly with the Company and some of which may have greater resources. Direct competitors to the Company include Iron Mountain Incorporated, Shred-It America, Inc. (now owned by Stericycle Inc.), and small, independent mobile shredding businesses.

Interest Rate Risk

The Company is subject to interest rate risk, as it pays interest at prevailing and fluctuating market rates. The Company has a variable line of credit for which the interest rate may increase or decrease at any time and as a result, may impact the Company's operating results. The Company's truck financing arrangements and term loans generally have fixed interest rates.

Credit Risk

The Company is exposed to credit risk from the possibility that franchisees and/or customers may experience financial difficulty and be unable to fulfill their commitments and obligations to the Company. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee or customer. Credit assessments are conducted with respect to all new franchisees. No customer accounts for more than 10% of the Company's corporate store revenues. The Company's bad debt expense was 0.5% of revenues in 2023.

Economic Conditions

An economic slowdown could cause a decline in demand for the Company's services, which may impact operating results. Because of lower revenue during an economic slowdown, competition may increase and prices may be reduced by certain competitors to maintain or expand their market share. Pricing and profitability could be adversely affected as a result.

Financing

The Company may require additional capital to grow its operations. Additionally, the Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company may be required to seek additional financing.

The Company's bank facilities are demand facilities which are callable by the bank at any time at the bank's discretion. In the event that the bank exercises this right to demand repayment prior to the maturity date, the Company may not have the necessary liquidity to repay amounts owing and look to alternative sources of capital, including alternative credit arrangements or equity funding, neither of which are guaranteed.

Acquisition Strategy

The Company's business strategy involves expansion through acquisitions and business development projects. These activities require the Company to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying businesses that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. Failure to complete acquisitions or developments will slow the Company's growth. The Company could also face significant competition for acquisitions and development opportunities. The Company may also require additional financing to conduct acquisitions. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire businesses.

These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company, may increase acquisition costs and may reduce demand for document destruction services in certain areas where the Company's business is located and, as a result, may adversely affect the Company's operating results.

Paper Price Volatility Risk

The Company earns recycling revenue based on commodity paper prices which may vary with market conditions both in the United States and Internationally. The Company mitigates the risk of volatile paper prices by diversifying its revenue streams. For the year ended December 31, 2023, 14% of the Company's revenue was derived from recycling revenue.

Corporate Locations

The Company's acquired businesses may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with the businesses.

In addition, any business expansions the Company undertakes is subject to a number of risks, including, but not limited to, having sufficient ability to raise capital to fund future expansion, and having sufficient human resources to convert, integrate and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed.

In deciding whether to acquire or expand a particular business, the Company will make certain assumptions regarding the expected future performance of that business. If the Company's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

Currency Fluctuations

The Company's principal executive office is in Canada, all the directors and officers of the Company are Canadian and many significant expenses of the Company are in and will be for the foreseeable future in Canadian dollars, while revenues will be measured in US dollars. Accordingly, the financial results of the Company will be impacted by fluctuations in currency rates.

Expansion to New Markets

It is the plan of management to continue expanding the Proshred franchise business in the United States by way of acquisitions, and potential partnerships and joint ventures, including into areas where customers are unfamiliar with the

Proshred brand. The Company will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all.

Many of the United States markets into which management may expand will have competitive conditions, consumer tastes and discretionary spending patterns that may differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing franchises. Sales and profits at franchises opened in new markets may also take longer to reach expected levels or may never do so.

Litigation

The Company may become subject to disputes with employees, franchisees, customers, commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Company and the other parties. Whether or not any dispute proceeds to litigation, the Company may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Company's business. Any such resolution could involve the payment of damages or expenses by the Company, which may be significant. In addition, any such resolution could involve the Company's agreement to certain settlement terms that restrict the operation of its business.

Tax Reform

The Company may become subject to changing tax laws in multiple jurisdictions in Canada and the United States. The Company could be materially affected if there are changes in current tax regulations.

Cyber Security Risk

A cyber incident is any adverse event that threatens the confidentiality, integrity or availability of the Company's information technology resources and personal information. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The occurrence of a cyber incident may result in an interruption in operations, damage to the Company's reputation and/or relationships with its vendors and customers and disclosure of confidential customer or vendor information. The Company has implemented processes, procedures and controls to mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Insurance

The Company's insurance coverage, including professional errors and omissions insurance, cyber liability insurance, marine and auto insurance, employee practices liability insurance, crime insurance, director and officer liability insurance, and commercial general liability insurance coverage, address all material insurable risks and provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions.

However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company.

Use of Estimates and Judgements

The preparation of financial statements requires management to use judgment in applying its accounting policies and in developing 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 and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. 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 following discusses the most significant accounting judgements and estimates that the Company has made in the preparation of the financial statements.

i) Impairment

The Company reviews goodwill for impairment at least annually and for other non-financial assets when there is any indication that the asset might be impaired. The determination of the value-in-use and fair value less cost of disposal of a CGU involves the use of estimates by management. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment or reversal of impairment.

ii) Deferred income taxes

The Company, including its subsidiaries, operate and earn income in multiple countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining income tax assets and liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final outcome of these tax matters will be consistent with what is reflected in the historical income tax provisions. Such differences could have an effect on the deferred tax assets and liabilities in the period in which such determinations are made. At each date of the statement of financial position, the Company assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets.

This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets and liabilities could be materially affected if changes in current tax regulations are enacted.

iii) Business combinations

When the Company conducts an acquisition, judgements are necessary in determining whether the acquisition meets the definition of a business under *IFRS 3 – Business Combinations.* At the date of acquisition, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their respective fair values. Any intangible assets identified are valued using appropriate valuation techniques based on a forecast of the total expected future net cash flows. These valuations are based on significant assumptions made by management regarding the projected sales from acquired customers, operating margins, forecasted attrition rates and discount rate.

In addition, the Company uses judgement in determining the contingent consideration liabilities recorded as part of acquisitions conducted. The contingent consideration liabilities are based on the projected financial results of the acquired businesses that are likely to be met over the relevant time period.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company is authorized to issue an unlimited number of Common Shares, without nominal or par value, and an unlimited number of preferred shares, without nominal or par value. As of the date of this MD&A, 18,303,072 Common Shares, and 837,273 stock options are issued and outstanding.

Subsequent Events

In January 2024, the Company established a new USD$4.0 million non-revolving line of credit for the purchase of shredding vehicles. The interest rate on this facility is based on prevailing market rates at the time the line is used.

In January 2024, the Company acquired the assets of MDK Recycling LLC ("MDK"), a Michigan-based company offering paper and hard drive shredding, product destruction, paper recycling, and scanning services. Purchase consideration paid included USD$500 paid on closing of this acquisition and contingent consideration payable, based on revenue, over three years with a maximum earn-out of USD$300.

Additional Info

The Company trades on the TSX Venture Exchange under the symbol "KUT". Additional information relating to the Company, including all of the Company's public filings and Annual Information Form, is available on the SEDAR website (**sedar.com**) and on the Company's own website at **proshred.com/redishred/**. This MD&A is dated as of April 29, 2024, and reflects all material events up to this date.