RediShred Capital Corp.

Condensed Consolidated Interim Financial Statements

For the Three and Six months ended June 30, 2024 and 2023

(Unaudited- Prepared by Management)

(Expressed in thousands of Canadian dollars)

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Financial Position

As at June 30, 2024 and December 31, 2023

(expressed in Canadian dollars)

	2024 $	2023 $
Assets		
Current assets		
Cash and cash equivalents	2,917	3,611
Cash attributable to the Growth Fund (note 3)	326	159
Trade and other receivables (note 4)	8,874	9,135
Prepaid expenses and other assets	1,006	1,666
Income taxes receivable	330	462
Total current assets	13,453	15,033
Non-current assets		
Tangible assets (note 6)	25,300	24,740
Intangible assets (note 7)	24,619	24,949
Goodwill (note 8)	30,264	29,001
Deferred tax asset (note 16)	1,330	1,308
Total non-current assets	81,513	79,998
Total assets	94,966	95,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,753	5,348
Deferred revenue	87	115
Income taxes payable	47	45
Current portion of long-term debt (note 10)	21,763	23,079
Lease liabilities (note 11)	1,573	1,573
Contingent consideration (note 9)	1,920	3,226
Total current liabilities	29,143	33,386
Non-current liabilities		
Long-term debt (note 10)	7,971	7,382
Deferred revenue	29	31
Lease liabilities (note 11)	3,685	3,909
Contingent consideration (note 9)	573	320
Deferred tax liability (note 16)	3,195	2,872
Total non-current liabilities	15,453	14,514
Total liabilities	44,596	47,900
Shareholders' equity		
Capital stock (note 12)	45,287	45,268
Contributed surplus	1,708	1,529
Accumulated foreign currency translation loss	(349)	(612)
Retained earnings	3,724	946
	50,370	47,131
Total liabilities and shareholders' equity	94,966	95,031

Basis of presentation, Commitments and Subsequent Events (refer to notes 2, 20 and 22, respectively)

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

Approved on behalf of the Board of Directors

(signed) "*Phillip H. Gaunce*" Director

(signed) "*Brad Foster*" Director

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Comprehensive Income

For the three and six months ended June 30, 2024 and 2023

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Revenue (note 13)	17,951	16,751	35,125	33,747
Corporate locations expenses (note 14)	(11,038)	(9,983)	(21,931)	(20,331)
Depreciation – tangible assets (note 6)	(2,001)	(1,987)	(3,905)	(3,863)
General and administrative expenses (note 15)	(2,369)	(2,280)	(4,643)	(4,191)
Total expenses	(15,408)	(14,250)	(30,479)	(28,385)
Operating income	2,543	2,501	4,646	5,362
Interest expense	(635)	(610)	(1,242)	(1,252)
Interest income	–	–	–	9
Amortization – intangible assets (note 7)	(1,029)	(1,005)	(2,074)	(2,021)
Remeasurement of contingent consideration (note 9)	(173)	(143)	(165)	(145)
Foreign exchange gain (loss)	512	(1,336)	2,100	(1,406)
Gain on disposal of tangible assets	26	–	26	–
Other income (loss)	(2)	–	21	–
Income (loss) before income taxes	1,242	(593)	3,312	547
Income tax expense	(250)	(377)	(534)	(782)
Net income (loss) for the period	992	(970)	2,778	(235)
Foreign currency translation income (loss)	88	(119)	263	(121)
Comprehensive income (loss) for the period	1,080	(1,089)	3,041	(356)
Net income (loss) per share (note 12)				
Basic	0.05	(0.05)	0.15	(0.01)
Diluted	0.05	(0.05)	0.15	(0.01)
Weighted average number of common shares outstanding – basic (note 12)	18,304,501	18,302,792	18,303,786	18,274,561
Weighted average number of common shares outstanding – diluted (note 12)	18,305,901	18,302,792	18,305,538	18,274,561

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

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2024 and 2023

(Unaudited, expressed in thousands of Canadian dollars)

	Capital Stock and warrants $	Contributed Surplus $	Accumulated foreign currency translation loss $	Retained earnings $	Total Shareholders' Equity $
Balance – January 1, 2023	44,966	1,240	(400)	1,475	47,281
Net income for the period	–	–	–	(235)	(235)
Foreign currency translation loss	–	–	(121)	–	(121)
Stock-based compensation (note 12)	–	174	–	–	174
Exercise of options and warrants (note 12)	302	(135)	–	–	167
Balance – June 30, 2023	45,268	1,279	(521)	1,240	47,266
Balance – January 1, 2024	45,268	1,529	(612)	946	47,131
Net income for the period	–	–	–	2,778	2,778
Foreign currency translation income	–	–	263	–	263
Stock-based compensation (note 12)	–	185	–	–	185
Exercise of options (note 12)	19	(6)	–	–	13
Balance – June 30, 2024	45,287	1,708	(349)	3,724	50,370

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

RediShred Capital Corp.

Condensed Consolidated Interim Statements of Cash Flows
For the three and six months ended June 30, 2024 and 2023
(Unaudited, expressed in thousands of Canadian dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Cash provided by (used in)	$	$	$	$
Operating activities				
Net income (loss) for the period	992	(970)	2,778	(235)
Items not affecting cash				
Depreciation of tangible assets and amortization of intangible assets (notes 6 and 7)	3,030	2,992	5,979	5,884
Stock-based compensation	82	92	185	174
Unrealized foreign currency (gain) loss	(511)	1,435	(2,096)	1,494
Interest expense, net of interest income	635	610	1,242	1,243
Remeasurement of contingent consideration (note 9)	173	143	165	145
Income tax expense	250	377	534	782
Gain on disposal of tangible assets	(26)	—	(26)	—
	4,625	4,679	8,761	9,487
Net change in non-cash working capital balances				
Decrease (increase) in trade and other receivables	204	(420)	620	(584)
Decrease (increase) in prepaid expenses	129	(58)	711	(159)
Decrease in accounts payable and accrued liabilities	(246)	(566)	(1,700)	(889)
Decrease in deferred revenue	(19)	(33)	(29)	(57)
Income taxes paid	(69)	(412)	(127)	(417)
Interest paid	(566)	(525)	(1,113)	(1,105)
Interest received	—	—	–	9
Net cash provided by operations	4,058	2,665	7,123	6,285
Financing activities				
Borrowings from long-term debt	907	2,424	2,786	3,062
Repayments of long-term debt	(2,014)	(1,686)	(3,908)	(3,694)
Proceeds from exercise of options	13	—	13	167
Repayment of lease liabilities (note 11)	(397)	(349)	(811)	(734)
Contingent consideration paid (note 9)	(28)	(989)	(1,822)	(2,145)
Net cash used in financing activities	(1,519)	(600)	(3,742)	(3,344)
Investing activities				
Amount paid for acquisitions, net of cash acquired (note 5)	(545)	-	(1,213)	–
Increase in cash held by Growth Fund (note 3)	(74)	(65)	(161)	(55)
Purchase of tangible and intangible assets (notes 6 and 7)	(724)	(2,765)	(2,928)	(3,990)
Proceeds from disposal of tangible assets	170	—	170	–
Net cash used in investing activities	(1,173)	(2,830)	(4,132)	(4,045)
Effect of foreign exchange rate changes on cash	21	(206)	57	(232)
Net change in cash for the period	1,387	(971)	(694)	(1,336)
Cash – Beginning of the period	1,530	6,331	3,611	6,696
Cash – End of the period	2,917	5,360	2,917	5,360

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

1 Corporate information and nature of operations

Redishred Capital Corp. ("Redishred" or the "Company") was incorporated under the Canada Business Corporations Act on October 18, 2006 and is domiciled in Canada. Redishred's common shares are listed for trading on the TSX Venture Exchange under the symbol "KUT". The registered address of the Company is 2233 Argentia Road, Suite 202, Mississauga, Ontario, L5N 2X7.

Redishred manages and operates the Proshred brand and business platform ("system") in the United States and internationally. Redishred operates the Proshred system under two business models in the United States, (1) via franchising and (2) via direct operation of seventeen corporate shredding locations as of June 30, 2024.

2 Material accounting policies

Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the Company's most recently audited consolidated financial statements for the year ended December 31, 2023, which includes information necessary or useful to understanding the Company's business and financial statement presentation. These condensed consolidated interim financial statements comprise the financial statements of Redishred and its subsidiaries as of June 30, 2024. Together, Redishred and its subsidiaries are referred to as the "Company."

The Company's material accounting policies are included in Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2023, and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

The results reported in these condensed consolidated interim financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2024 were authorized for issuance in accordance with a resolution of the Board of Directors on August 28, 2024.

Going concern

The application of the going concern basis assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future. As of June 30, 2024, the Company had current liabilities of $29,143 which exceeded current assets of $13,453. Current liabilities included the Company's bank facilities of $18,542.

The Company's bank facilities are demand facilities which are callable by the bank at any time at its discretion. 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.

These condensed consolidated financial statements do not reflect adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments to the carrying value of assets and liabilities, the reported expenses and their classifications, if required, may be material.

Basis of measurement

These condensed consolidated interim financial statements were prepared on a going concern basis, under the historical cost convention. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation currency. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Initial application of amended accounting standards

Amendments to IAS 1

In October 2022, the IASB issued amendments to IAS 1, which specify that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, although earlier application is permitted. The Company adopted these amendments this year and assessed that there is no material impact on the consolidated financial statements.

Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures, and requires additional quantitative and qualitative disclosure about supplier finance arrangements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, although earlier application is permitted. The Company adopted these amendments this year and assessed that there is no material impact on the consolidated financial statements.

(Unaudited, expressed in thousands of Canadian dollars)

3 Growth fund

The Company manages a Growth Fund established to collect and administer funds contributed for use in regional and national advertising programs and amongst other things, initiatives designed to increase sales and enhance general public recognition, acceptance and use of the Proshred System. The fund contributions are segregated, designated for a specific purpose and the Company acts, in substance, as an agent with regard 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 Growth Fund contributions from the Company owned locations have been eliminated on consolidation.

The Growth Fund related contributions and expenses for the three and six months ended June 30, 2024 and 2023, as well as cash balances as at June 30, 2024 and December 31, 2023 are as follows:

	For the three months ended June 30,		*For the six months ended June 30,*	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Growth Fund revenue	70	69	134	138
Growth Fund expenses	(123)	(118)	(269)	(267)
Growth Fund net loss	(53)	(49)	(135)	(129)

As at,	**June 30, 2024**	**December 31, 2023**
	$	**$**
Cash attributable to the Growth Fund	326	159

4 Trade and other receivables

Trade receivables include receivables from franchisees and shredding, recycling, electronic waste and scanning customers. Other receivables include amounts related to the receivables from the sale of trucks and Harmonized Sales Tax (“HST”) refunds. The net trade and other receivables as of June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024	**December 31, 2023**
	$	**$**
Trade receivables – corporate locations	8,788	8,887
Trade receivables – franchising and licensing	300	303
Total trade receivables	9,088	9,190
Other receivables	120	266
Less: Allowance for doubtful accounts	(334)	(321)
Trade and other receivables, net	8,874	9,135

(Unaudited, expressed in thousands of Canadian dollars)

5 Acquisitions

The Company completed the following acquisitions during the six months ended June 30, 2024:

1. On January 2, 2024, the Company acquired the assets of MDK Recycling LLC ("MDK"), a Michigan-based business that offers shredding and scanning services; and

2. On May 31, 2024, the Company acquired the assets of Select Shred, Inc. ("Select Shred"), a Florida-based shredding business.

The Company determined that the acquisitions met the definition of a business and accounted for the transactions as a business combination in accordance with IFRS 3, *Business Combinations.* The purchase price for the acquisitions is preliminary and was allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed, based on their estimated fair value at the date of acquisition. The Company translated the fair values of all assets acquired, liabilities assumed, and consideration given using the exchange rate on the date of the acquisition.

The Company conducted this acquisition to increase its long-term cash flows and to increase its market share in the United States. The Company has identified synergies which it expects to realize in the elimination of redundant expenditures. In determining the fair market value of the assets acquired, synergies were not factored into the assessment. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately post-closing of the acquisition. This goodwill is fully deductible for tax purposes.

The following table outlines the preliminary assets purchased and the consideration given on the closing date of this acquisition:

During the six months ended June 30, 2024	**MDK**	**Select Shred**	**Total**
	$	**$**	**$**
Exchange rate used	1.34	1.36	
Assets Acquired			
Net working capital	40	19	59
Tangible assets	287	185	472
Customer relationships	433	385	818
Goodwill	217	30	247
	977	619	1,596
Consideration Given			
Cash	668	545	1,213
Contingent consideration	309	74	383
	977	619	1,596
Acquisition costs (expensed in statement of comprehensive income)	16	19	35

The Company completed the following acquisitions during the year ended December 31, 2023:

(Unaudited, expressed in thousands of Canadian dollars)

1. On August 31, 2023, the Company acquired the assets of Oho and Associates, Inc. ("Security Shredding"), a New Jersey based shredding business; and

2. On September 5, 2023, the Company acquired the assets of the Proshred Baltimore business from its franchisee.

For all of the acquisitions that the Company completed during the year ended December 31, 2023, the goodwill recognized was fully deductible for tax purposes.

The following table outlines the assets purchased and the consideration given on the closing date for each of the acquisitions completed during the year ended December 31, 2023:

During the year ended December 31, 2023	**Proshred Baltimore**	**Security Shredding**	**Total**
	$	**$**	**$**
Exchange rate used	1.36	1.35	
Assets Acquired			
Net working capital	109	—	109
Tangible assets	1,100	415	1,515
Customer relationships	2,147	594	2,741
Goodwill	1,226	91	1,317
	4,582	1,100	5,682
Consideration Given			
Cash	3,871	1,082	4,953
Net working capital settlement	(25)	—	(25)
Contingent consideration	736	18	754
	4,582	1,100	5,682
Acquisition costs (expensed in statement of comprehensive income)	75	31	106

(Unaudited, expressed in thousands of Canadian dollars)

6 Tangible assets

			June 30, 2024			**December 31, 2023**
	Cost	Accumulated depreciation	**Net carrying value**	Cost	Accumulated depreciation	**Net carrying value**
	$	$	**$**	$	$	**$**
Computer equipment	864	(698)	**166**	758	(600)	**158**
Furniture & fixtures	276	(252)	**24**	257	(235)	**22**
Bins & shredding containers	5,238	(3,792)	**1,446**	4,846	(3,221)	**1,625**
Shredding vehicles - chassis	12,537	(6,127)	**6,410**	11,278	(5,227)	**6,051**
Shredding vehicles - box	23,129	(11,790)	**11,339**	20,953	(9,983)	**10,970**
Vehicles	329	(227)	**102**	291	(206)	**85**
Baling equipment	1,028	(379)	**649**	673	(304)	**369**
ROU Office and Warehouse	10,698	(6,410)	**4,288**	9,889	(5,398)	**4,491**
ROU Truck leases	1,930	(1,270)	**660**	1,917	(1,229)	**688**
Leasehold Improvements	356	(140)	**216**	354	(73)	**281**
Total tangible assets	56,385	(31,085)	**25,300**	51,216	(26,476)	**24,740**

	December 31, 2023						**June 30, 2024**
	Net carrying value	Additions	Acquisitions	Depreciation	Disposition of Assets	Foreign exchange	**Net carrying value**
	$	$	$	$		$	**$**
Computer equipment	158	61	27	(84)	-	4	**166**
Furniture & fixtures	22	-	13	(13)	-	2	**24**
Bins & shredding containers	1,625	199	22	(456)	-	56	**1,446**
Shredding vehicles - chassis	6,051	985	49	(843)	(49)	217	**6,410**
Shredding vehicles - box	10,970	1,424	161	(1,503)	(95)	382	**11,339**
Vehicles	85	1	26	(14)	-	4	**102**
Baling equipment	369	157	174	(65)	-	14	**649**
ROU Office and Warehouse	4,491	435	-	(786)	-	148	**4,288**
ROU Truck leases	688	-	-	(76)	-	48	**660**
Leasehold Improvements	281	-	-	(65)	-	-	**216**
Total tangible assets	24,740	3,262	472	(3,905)	(144)	875	**25,300**

	December 31, 2022						**December 31, 2023**
	Net carrying value	Additions	Acquisitions	Depreciation	Dispostion of Assets	Foreign exchange	**Net carrying value**
	$	$	$	$	$	$	**$**
Computer equipment	218	108	-	(166)	-	(2)	**158**
Furniture & fixtures	30	13	-	(21)	-	-	**22**
Bins & shredding containers	2,022	526	115	(923)	(74)	(41)	**1,625**
Shredding vehicles - chassis	5,563	1,932	421	(1,657)	(59)	(149)	**6,051**
Shredding vehicles - box	10,136	3,187	979	(2,952)	(121)	(259)	**10,970**
Vehicles	47	52	-	(14)	-	-	**85**
Baling equipment	459	4	-	(85)	-	(9)	**369**
ROU Office and Warehouse	5,541	793	-	(1,741)	-	(102)	**4,491**
ROU Truck leases	730	53	-	(76)	-	(19)	**688**
Leasehold Improvements	-	355	-	(74)	-	-	**281**
Total tangible assets	24,746	7,023	1,515	(7,709)	(254)	(581)	**24,740**

(Unaudited, expressed in thousands of Canadian dollars)

The foreign exchange adjustment is a result of the translation of foreign operation tangible assets in US dollars to Canadian dollars at June 30, 2024 and December 31, 2023, and is included in other comprehensive income.

7 Intangible assets

			June 30, 2024			**December 31, 2023**
	Cost	Accumulated amortization	**Net carrying value**	Cost	Accumulated amortization	**Net carrying value**
	$	$	**$**	$	$	**$**
Computer software	1,406	(912)	**494**	1,278	(859)	**419**
Re-acquired franchise rights	1,691	(1,367)	**324**	1,634	(1,267)	**367**
Trademarks & intellectual property	46	(17)	**29**	46	(15)	**31**
Customer relationships	39,984	(16,212)	**23,772**	37,837	(13,705)	**24,132**
Total intangible assets	43,127	(18,508)	**24,619**	40,795	(15,846)	**24,949**

	December 31, 2023					**June 30, 2024**
	Net carrying value	Additions	Acquisitions	Amortization	Foreign exchange	**Net carrying value**
	$	$	$	$	$	**$**
Computer software	419	101	-	(171)	145	**494**
Re-acquired franchise rights	367	-	-	(58)	15	**324**
Trademarks & intellectual property	31	-	-	(2)	-	**29**
Customer relationships	24,132	-	818	(1,843)	665	**23,772**
Total intangible assets	24,949	101	818	(2,074)	825	**24,619**

	December 31, 2022					**December 31, 2023**
	Net carrying value	Additions	Acquisitions	Amortization	Foreign exchange	**Net carrying value**
	$	$	$	$	$	**$**
Computer software	702	28	-	(303)	(8)	**419**
Re-acquired franchise rights	594	-	-	(217)	(10)	**367**
Trademarks & intellectual property	36	-	-	(5)	-	**31**
Customer relationships	25,571	-	2,741	(3,583)	(597)	**24,132**
Total intangible assets	26,903	28	2,741	(4,108)	(615)	**24,949**

The foreign exchange adjustment is a result of the translation of foreign operation intangible assets in US dollars to Canadian dollars at June 30, 2024 and December 31, 2023, and is included in other comprehensive income.

(Unaudited, expressed in thousands of Canadian dollars)

8 Goodwill

The goodwill as at June 30, 2024 and December 31, 2023 is as follows:

	June 30, 2024	December 31, 2023
	$	$
Opening balance	29,001	28,385
Acquisitions	247	1,317
Foreign Currency Translation	1,016	(701)
Closing balance	30,264	29,001

The foreign exchange adjustment is a result of the translation of goodwill in US dollars to Canadian dollars at June 30, 2024 and December 31, 2023, and is included in other comprehensive income.

9 Contingent consideration

The Company has recorded contingent consideration liabilities as part of the purchase consideration for acquisitions completed. The contingent consideration liabilities are paid to the vendors if certain financial results are achieved. During the three and six months ended June 30, 2024, the Company recorded a remeasurement loss on contingent consideration of $173 and $165, respectively (three and six months ended June 30, 2023 remeasurement loss of $143 and $145, respectively). The fair value of contingent consideration is calculated based on the expected payout, discounted.

As at June 30, 2024, the Company has the following related to contingent consideration:

Range of origination	Range of payouts	Current portion	Long-term portion	Range of maturity
May 1, 2021 to May 31, 2024	USD$0 to USD$3,775	CAD$1,920 USD$1,403	CAD$573 USD$419	July 1, 2024 to June 1, 2027

The change in contingent consideration was as follows:

	June 30, 2024	December 31, 2023
	$	$
Opening balance, January 1	3,546	5,468
Payments	(1,822)	(2,539)
Additions through acquisitions	383	754
Interest accretion	104	359
Remeasurement	165	(399)
Foreign exchange	117	(97)
	2,493	3,546

(Unaudited, expressed in thousands of Canadian dollars)

10 Long-term debt

As at June 30, 2024 and December 31, 2023 long-term debt is comprised of the following:

	June 30, 2024	December 31, 2023
	$	$
Bank facilities (i)	19,133	20,808
Less: transaction costs	(591)	(590)
Net bank facilities	18,542	20,218
Truck loans (ii)	11,192	10,243
Total long-term debt	29,734	30,461
Less: current portion	(21,763)	(23,079)
	7,971	7,382

(i) Bank facilities

As at June 30, 2024, the Company has the following secured senior 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 term loan acquisition facility noted above.

Advances under the bank facilities include a maturity date, depending on the individual facility. However, the Company's bank facilities are demand facilities which are callable by the bank at any time at its discretion. As such, the amounts drawn under the bank facilities are presented as current liabilities.

As at June 30, 2024 and December 31, 2023, the Company has borrowed the following amounts under the demand non-revolving term loan and demand revolving re-advanceable interest only loan facilities:

(Unaudited, expressed in thousands of Canadian dollars)

Month of Advance	Facility	Initial Amount	Interest per annum	Amortization period[1]	June 30, 2024 balance	December 31, 2023 balance
		$			$	$
May, 2019	Demand term[5]	6,003	3.50%	72 months	2,134	2,612
November, 2019	Demand term[5]	6,664	3.50%	84 months	2,890	3,374
March, 2020	Demand term[5]	2,688	2.99%	84 months	1,322	1,514
December, 2020	Demand term[5]	2,290	3.33%	84 months	1,197	1,368
August, 2021	Demand term[5]	854	3.69%	84 months	535	593
December, 2021	Demand term[5]	6,290	6.52%	84 months	4,777	5,226
November, 2022[2]	Demand term[5]	5,400	7.47%	84 months	4,411	4,735
September, 2023[3]	Demand term[5]	1,412	7.83%	84 months	1,307	1,386
May, 2024[4]	Demand interest-only[6]	560	8.20%	96 months	560	–
Total					**19,133**	**20,808**

(1) Amortization period disclosed is according to the respective maturity dates on the basis repayment is not demanded by the bank earlier.
(2) 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.
(3) 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.
(4) Loan is interest only for the first twelve-months (12) from the date of origination of May 31, 2024, at which time it is then required to be repaid in full by way of an advance under the demand non-revolving re-advanceable term loan facility. The advance under the demand non-revolving re-advanceable term loan facility will then be repaid based on the then established interest rate and amortization period.
(5) Amount borrowed under the demand non-revolving re-advanceable term loan facility.
(6) Amount borrowed under the demand revolving re-advanceable interest only loan facility.

As at June 30, 2024, the Company has $1.0 million available on its demand operating line of credit, $21.4 million available on its demand non-revolving re-advanceable term loan, and $5.4 million available on its demand revolving re-advanceable interest only acquisition facility.

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.

The bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds as follows:

1. A minimum fixed charge coverage ratio which is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA") less cash taxes and unfunded capital expenditures to total principal and interest repayments, of 1.00:1 through the quarter ended June 30, 2024 and 1.15:1 thereafter;

2. A maximum senior funded debt to EBITDA ratio of 3.50:1 which is defined as total senior debt divided by EBITDA; and

3. A maximum total funded debt to EBITDA ratio of 4.00:1 which is defined as total debt to EBITDA;

The ratio covenants are measured at the end of each quarter on a trailing 12-month basis.

As of June 30, 2024, the Company was in compliance with its banking covenants.

(Unaudited, expressed in thousands of Canadian dollars)

(ii) Truck loans

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. As at June 30, 2024, the Company had USD$3.4 million available on this line of credit.

As of June 30, 2024, the Company has the following related to truck loans:

	Loan value	Carrying value of assets pledged	Range of interest rates	Range of origination dates	Range of maturity dates
	$	$			
Truck loans	11,192	13,638	3.92% to 8.71%	May, 2018 to June, 2024	July, 2024 to June, 2029

11 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 a 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 June 30, 2024
				$
Office and warehouse building	17	August 2024 to September 2030	4.75% to 8.25%	5,106
Shredding vehicles	4	August 2025 to January 2027	5.95% to 7.00%	152
Total				**5,258**

The total lease payments made during the three and six months ended June 30, 2024 were $397 and $811, respectively (June 30, 2023 – $349 and $734, respectively).

12 Capital stock

a) Authorized

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

(Unaudited, expressed in thousands of Canadian dollars)

b) Issued and fully paid

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

	Common stock	
	Number	**$**
Balance June 30, 2024	18,308,072	45,287
Balance December 31, 2023	18,303,072	45,268

c) Weighted average number of common shares

The basic weighted average number of common shares outstanding for the three and six months ended June 30, 2024 was 18,304,501 and 18,303,786 (three and six months ended June 30, 2023 – 18,302,792 and 18,274,561, respectively). The diluted weighted average number of common shares outstanding for the three and six months ended June 30, 2024 was 18,305,901 and 18,305,538 (three and six months ended June 30, 2023 – 18,302,792 and 18,274,561, respectively). Potentially dilutive stock options for the three and six months ended June 30, 2023 were excluded from the calculation of the diluted weighted average number of common shares outstanding, as their inclusion was anti-dilutive on the diluted net loss per share.

d) Stock options

The following table summarizes the movements in the Company's stock options during the six months ended June 30, 2024 and 2023:

	2024		2023	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding – opening	837,273	3.83	574,188	3.74
Granted	–	–	330,360	3.82
Exercised	(5,000)	2.55	(61,000)	2.75
Expired and forfeited	(8,800)	4.10	(15,130)	3.51
Outstanding – closing	823,473	3.84	828,418	3.85

For the three and six months ended June 30, 2024, stock compensation expense was $82 and $185 (for the three and six months ended June 30, 2023 – $92 and $174, respectively).

(Unaudited, expressed in thousands of Canadian dollars)

13 Revenue

The break-down of revenue earned by the Company for the three and six months ended June 30, 2024 and 2023 is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	$	$	$	$
Paper shredding services	14,241	12,177	27,592	24,205
Sale of paper products	1,946	2,608	3,953	5,900
Royalties and license fees	464	479	920	969
Scanning services	493	713	1,055	1,095
Electronic waste and product shredding	728	686	1,450	1,402
Growth Fund contributions	69	69	134	139
Franchise fees	10	19	21	37
Total revenue	17,951	16,751	35,125	33,747

14 Corporate location expenses

The break-down of corporate location expenses of the Company for the three and six months ended June 30, 2024 and 2023 is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
	$	$	$	$
Shredding vehicle and related expenses	3,090	2,717	6,089	5,656
Acquisition costs	55	95	188	446
Employee wages expense	5,258	4,877	10,396	9,684
Employee benefits expense	1,107	954	2,223	1,952
Office and administration expense	1,528	1,340	3,035	2,593
Total corporate operating expenses	11,038	9,983	21,931	20,331

(Unaudited, expressed in thousands of Canadian dollars)

15 General and administrative expenses

The break-down of general and administrative expenses of the Company for the three and six months ended June 30, 2024 and 2023 is as follows:

	For the three months ended	June 30,	For the six months ended	June 30,
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Employee wages and benefits expense	1,101	1,049	2,106	1,883
Share-based compensation	82	92	185	174
Professional fees	140	253	348	475
Acquisition costs	33	32	73	44
Technology	304	240	545	429
Growth Fund expenses (note 3)	123	118	269	267
Other	586	496	1,117	919
Total general and administrative expenses	2,369	2,280	4,643	4,191

Compensation of key management

Included in employee wages and benefits and share-based compensation expense is key management personnel compensation, which is as follows for the three and six months ended June 30, 2024 and 2023:

	For the three months ended	*June 30,*	*For the six months ended*	*June 30,*
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Wages and benefits	361	337	698	621
Share-based compensation	52	63	113	115
Total	413	400	811	736

Compensation of key management personnel includes the Chief Executive Officer, the Chief Financial Officer, the Senior Vice President of Finance and Acquisitions, and the Board of Directors.

16 Income taxes

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 commencing December 31, 2035. The Company has incurred U.S. non-capital losses that can be carried forward to reduce taxes payable in the U.S. The losses can be carried forward indefinitely.

Income before income taxes for the three and six months ended June 30, 2024 was $1,242 and $3,312 (three and six months ended June 30, 2023 – loss of $593 and income of $547, respectively). Income tax expense for the three and six months ended June 30, 2024 was $250 and $534 (three and six ended June 30, 2023 - $377 and $782, respectively).

The effective tax rate for the three and six months ended June 30, 2024 was 20% and 16%, respectively (three and six months ended June 30, 2023 (64)% and 143%). The differences in the effective tax rates as compared to the statutory tax rates of Redishred and its subsidiaries was primarily due to the impact of foreign exchange movements on intercompany balances between Redishred and its subsidiaries.

17 Financial instruments and fair values

The Company has financial assets that consist of cash and cash equivalents, cash attributable to the Growth Fund, and trade and other receivables. The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt, lease liabilities, and contingent consideration.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, foreign exchange risk and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Fair values

The carrying value amounts of many of the Company's financial instruments, including cash and cash equivalents, trade receivables, and accounts payables and accrued liabilities, which are all carried at amortized cost, approximate their fair value primarily due to their short-term maturity. The fair value of the Company's long-term debt is $29,109, compared to a carrying value of $29,734, based on the current interest rates that would be charged on this financial instrument as at June 30, 2024.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The Company's contingent consideration is valued at fair value using Level 3 inputs. These valuation techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of these financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. The Company does not have any Level 2 inputs.

There were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2024 and 2023.

Interest rate risk

The Company's financial instruments subject to interest rate risk are as follows:

(Unaudited, expressed in thousands of Canadian dollars)

- Demand operating line of credit: This financial instrument is subject to interest rate cash flow risk as interest is charged on this facility at a variable rate of prime plus 1.00% per annum.

- Demand term and interest only loans: These financial instruments are subject to interest rate fair value risk as their fair values will fluctuate as a result of changes in market interest rates, as interest on these financial instruments are fixed ranging from 2.99% to 8.20% per annum.

- Truck loans and leases: These financial instruments are subject to interest rate fair value risk as their fair values will fluctuate as a result of changes in market interest rates, as interest on these financial instruments is generally fixed ranging from 3.92% to 8.71% per annum.

An interest rate sensitivity that assumes a reasonable increase or decrease in interest rates with all other variables held constant, would not have a significant impact on the interest expense the Company recognized during the six months ended June 30, 2024.

Credit risk

In accordance with its investment policy, the Company maintains cash deposits with banks. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies.

Receivables related to corporate operations

The aging analysis for accounts receivable past due related to corporate operations as at June 30, 2024 and December 31, 2023 is as follows:

	2024	2023
	$	$
Past due but not impaired		
60 to 90 days	602	672
91 days to 180 days	927	921

The accounts receivables related to corporate operations are exposed to credit risk from the possibility that customers may experience financial difficulty. As at June 30, 2024 and December 31, 2023, no customer accounted for more than 10% of the accounts receivable balance. For the three and six months ended June 30, 2024 and 2023, no customer accounted for more than 10% of the Company's revenue in this category. As at June 30, 2024, 11% of accounts receivable, net of allowance of doubtful accounts, in this category were over 90 days old (December 31, 2023 – 11%). As at June 30, 2024, the Company recorded an allowance for credit losses from receivables of $334 related to corporate operations (December 31, 2023 - $321).

The maximum exposure to credit risk is the carrying amount of each class of financial assets. Collection of receivables remain a priority for the Company and management's assessment is collectability remains highly probable.

(Unaudited, expressed in thousands of Canadian dollars)

Receivables related to franchising and licensing

The accounts receivable from franchisees are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees. In addition, the receivable balances are monitored on an ongoing basis. As of June 30, 2024, six (6) franchisees accounted for 56% of the accounts receivable balance related to franchising and licensing (December 31, 2023 - 6 franchisees accounted for 60%). For the three and six months ended June 30, 2024, three (3) franchisees accounted for 29% of the Company's revenues related to franchising and licensing (three and six months ended June 30, 2023 - 3 franchisees accounted for 26%). As at June 30, 2024 and December 31, 2023, there was no accounts receivable from franchisees over 90 days old.

Foreign exchange risk

The Company has significant assets denominated in USD dollars which are revalued at the exchange rate at the date of the statement of financial position. The Company has revenues and costs that are denominated in USD dollars; this dependency on the USD dollar causes foreign exchange gains when the Canadian dollar depreciates versus the USD dollar. This revaluation results in unrealized foreign exchange gains or losses. During the three and six months ended June 30, 2024, the Company recorded a foreign exchange gain of $512 and $2,100 (three and six months ended June 30, 2023 – loss of $1,336 and $1,406, respectively).

Exchange rates utilized (USD to CAD):

As at,	**June 30, 2024**	**December 31, 2023**
	$	**$**
Close rate	1.37	1.32
For the six months ended,	**June 30, 2024**	**June 30, 2023**
	$	**$**
Average rate	1.36	1.35

Liquidity risk

The Company's objective is to have sufficient liquidity to meet liabilities when due. Cash flow forecasting is performed by management, which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs 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.

(Unaudited, expressed in thousands of Canadian dollars)

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 June 30, 2024. This assessment is based on the assumption the bank facilities are not called. The Company has current liabilities of $29,143 at June 30, 2024 (December 31, 2023 - $33,386), including long-term debt under the Company's bank facilities which has been classified as current as this is due on demand at any time should the bank call these loans in advance of the respective maturity date. Amounts owing under the Company's bank facilities are otherwise repayable based on the applicable loan repayment schedule for the respective borrowing. The Company has current assets of $13,453 as at June 30, 2024 (December 31, 2023 - $15,033), including cash and cash equivalents of $2,917 (December 31, 2023 - $3,611).

Principal	**Less than 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	3,753	-	-	-
Long-term debt*	2,326	6,017	21,089	893
Contingent consideration	1,560	360	573	-
Lease liabilities	427	1,146	3,515	170

Interest	**Less than 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**
	$	**$**	**$**	**$**
Long-term debt*	481	1,244	2,513	55
Lease liabilities	80	205	367	9

Total principal and interest	**Less than 3 months**	**3 months to 1 year**	**1 - 5 years**	**Over 5 years**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	3,753	-	-	-
Long-term debt*	2,807	7,261	23,602	948
Contingent consideration	1,560	360	573	-
Lease liabilities	507	1,351	3,882	179

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

18 Capital management

The Company defines capital as its shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains the appropriate capital levels to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or issue debt securities.

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

The Company has credit facilities with a banking institution which provides a demand operating line of credit, a demand non-revolving re-advanceable term loan acquisition facility, and a demand revolving re-advanceable interest only acquisition facility. The Company's bank credit facilities contain financial covenants that require the Company to maintain certain financial ratios and meet certain financial thresholds, as detailed in note 10.

19 Segment reporting

The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The Company operates three reportable operating segments, (1) the granting and managing of shredding business franchises under the "Proshred" trademark (Franchising and licensing), (2) the operation of corporately owned shredding businesses (Corporate locations) and (3) supporting the franchises and corporately owned shredding businesses (Corporate).

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

(Unaudited, expressed in thousands of Canadian dollars)

June 30, 2024	Franchising and licensing	Corporate locations	Corporate	Total
	$	$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	291	1,841	785	2,917
Cash attributable to the Growth Fund	326	–	–	326
Trade and other receivables	300	8,532	42	8,874
Prepaid expenses and other assets	244	645	117	1,006
Income taxes receivable	119	211	–	330
Total current assets	1,280	11,229	944	13,453
Non-current assets				
Tangible assets	35	24,653	612	25,300
Intangible assets	587	23,913	119	24,619
Goodwill	–	30,264	–	30,264
Deferred tax asset	–	–	1,330	1,330
Total assets	1,902	90,059	3,005	94,966
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	475	2,205	1,073	3,753
Deferred revenue	57	30	–	87
Income taxes payable	–	–	47	47
Current portion of long-term debt	–	3,204	18,559	21,763
Lease liabilities	–	1,484	89	1,573
Contingent consideration	–	1,920	–	1,920
Total current liabilities	532	8,843	19,768	29,143
Non-current liabilities				
Long-term debt	–	7,971	–	7,971
Deferred revenue	–	29	–	29
Lease liabilities	–	3,067	618	3,685
Contingent consideration	–	573	–	573
Deferred tax liability	35	3,160	–	3,195
Total liabilities	567	23,643	20,386	44,596

(Unaudited, expressed in thousands of Canadian dollars)

December 31, 2023	Franchising and licensing	Corporate locations	Corporate	Total
	$	$	$	$
ASSETS				
Current assets				
Cash and cash equivalents	360	2,775	476	3,611
Cash attributable to the Growth Fund	159	–	–	159
Trade and other receivables	303	8,701	131	9,135
Prepaid expenses and other assets	301	1,292	73	1,666
Income taxes receivable	52	410	–	462
Total current assets	1,175	13,178	680	15,033
Non-current assets				
Tangible assets	36	24,019	685	24,740
Intangible assets	508	24,302	139	24,949
Goodwill	–	29,001	–	29,001
Deferred tax asset	–	–	1,308	1,308
Total assets	1,719	90,500	2,812	95,031
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	897	2,690	1,761	5,348
Deferred revenue	54	61	–	115
Income taxes payable	–	–	45	45
Current portion of long-term debt	–	2,861	20,218	23,079
Lease liabilities	–	1,454	119	1,573
Contingent consideration	–	3,226	–	3,226
Total current liabilities	951	10,292	22,143	33,386
Non-current liabilities				
Long-term debt	–	7,382	–	7,382
Deferred revenue	–	31	–	31
Lease liabilities	–	3,284	625	3,909
Contingent consideration	–	320	–	320
Deferred tax liability	–	2,872	–	2,872
Total liabilities	951	24,181	22,768	47,900

(Unaudited, expressed in thousands of Canadian dollars)

Geographic information

	June 30, 2024	December 31, 2023
Canada	**$**	**$**
Tangible assets	612	685
Intangible assets	119	139
United States		
Tangible assets	24,688	24,055
Intangible assets	24,500	24,810
Goodwill	30,264	29,001
Total		
Tangible assets	25,300	24,740
Intangible assets	24,619	24,949
Goodwill	30,264	29,001

Revenue

All revenues were attributed to the United States.

(Unaudited, expressed in thousands of Canadian dollars)

Net income (loss) by operating segment

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

	For the three months ended June 30, 2024			
	Franchising and licensing	**Corporate locations**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Revenue	543	17,408	–	17,951
Corporate location expenses	–	(11,038)	–	(11,038)
Depreciation – tangible assets	(10)	(1,953)	(38)	(2,001)
General and administrative expense	(610)	(556)	(1,203)	(2,369)
Total expenses	(620)	(13,547)	(1,241)	(15,408)
Operating income (loss)	(77)	3,861	(1,241)	2,543
Interest expense	–	(332)	(303)	(635)
Amortization – intangible assets	(41)	(979)	(9)	(1,029)
Remeasurement of contingent consideration	–	(173)	–	(173)
Foreign exchange gain	–	–	512	512
Gain on disposal of tangible assets	–	26	–	26
Other Income	–	(2)	–	(2)
Income (loss) before income taxes	(118)	2,401	(1,041)	1,242
Income tax expense	68	(531)	213	(250)
Net income (loss)	(50)	1,870	(828)	992

(Unaudited, expressed in thousands of Canadian dollars)

	For the three months ended June 30, 2023			
	Franchising and licensing	Corporate locations	Corporate	Total
	$	$	$	$
Revenue	567	16,184	–	16,751
Corporate location expenses	–	(9,983)	–	(9,983)
Depreciation – tangible assets	(6)	(1,940)	(41)	(1,987)
General and administrative expense	(589)	(387)	(1,304)	(2,280)
Total expenses	(595)	(12,310)	(1,345)	(14,250)
Operating income (loss)	(28)	3,874	(1,345)	2,501
Interest expense	–	(306)	(304)	(610)
Amortization – intangible assets	(28)	(968)	(9)	(1,005)
Remeasurement of contingent consideration	–	(143)	–	(143)
Foreign exchange loss	–	–	(1,336)	(1,336)
Income (loss) before income taxes	(56)	2,457	(2,994)	(593)
Income tax expense	38	1,282	(1,697)	(377)
Net income (loss)	(18)	3,739	(4,691)	(970)

(Unaudited, expressed in thousands of Canadian dollars)

	For the six months ended June 30, 2024			
	Franchising and licensing	Corporate locations	Corporate	Total
	$	$	$	$
Revenue	1,075	34,050	–	35,125
Corporate location expenses	–	(21,931)	–	(21,931)
Depreciation – tangible assets	(19)	(3,808)	(78)	(3,905)
General and administrative expense	(1,156)	(1,109)	(2,378)	(4,643)
Total expenses	(1,175)	(26,848)	(2,456)	(30,479)
Operating income (loss)	(100)	7,202	(2,456)	4,646
Interest expense	–	(638)	(604)	(1,242)
Amortization – intangible assets	(78)	(1,977)	(19)	(2,074)
Remeasurement of contingent consideration	–	(165)	–	(165)
Foreign exchange gain	–	–	2,100	2,100
Gain on disposal of tangible assets	–	26	–	26
Other Income	–	21	–	21
Income (loss) before income taxes	(178)	4,469	(979)	3,312
Income tax recovery (expense)	56	(549)	(41)	(534)
Net income (loss)	(122)	3,920	(1,020)	2,778

(Unaudited, expressed in thousands of Canadian dollars)

	For the six months ended June 30, 2023			
	Franchising and licensing	Corporate locations	Corporate	Total
	$	$	$	$
Revenue	1,145	32,602	–	33,747
Corporate location expenses	–	(20,331)	–	(20,331)
Depreciation – tangible assets	(11)	(3,744)	(108)	(3,863)
General and administrative expense	(1,098)	(778)	(2,315)	(4,191)
Total expenses	(1,109)	(24,853)	(2,423)	(28,385)
Operating income (loss)	36	7,749	(2,423)	5,362
Interest expense	–	(625)	(627)	(1,252)
Interest income	–	–	9	9
Amortization – intangible assets	(54)	(1,948)	(19)	(2,021)
Remeasurement of contingent consideration	–	(145)	–	(145)
Foreign exchange loss	–	–	(1,406)	(1,406)
Income (loss) before income taxes	(18)	5,031	(4,466)	547
Income tax recovery (expense)	12	828	(1,622)	(782)
Net income (loss)	(6)	5,859	(6,088)	(235)

20 Commitments

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 September 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 consolidated statements of financial position. 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.

21 Related party balances and transactions

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 June 30, 2024 (December 31, 2023 - $5). During the three and six months ended June 30, 2024, the Company earned royalties, franchise and service fees of $49 and $98, respectively (June 30, 2023 - $48 and $93, respectively) from this franchise.

22 Subsequent Events

On July 29, 2024, the Company acquired the assets of Confidential Shredding LLC (”Confidential”), a New Jersey and New York-based company offering on-site paper and hard drive shredding, product destruction, and paper recycling services. Purchased consideration for the transaction included US$2,950 paid on closing of the acquisition and contingent consideration payable, based on first-year revenue, with a maximum earn-out of US$500.