StorageVault Canada Inc.
Financial Statements

For the Periods ended December 31, 2008 and December 31, 2007

MEYERS NORRIS PENNY LLP

Auditors' Report

To the Shareholders of StorageVault Canada Inc.:

We have audited the balance sheets of StorageVault Canada Inc. as at December 31, 2008 and 2007 and the statements of operations and comprehensive loss and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Regina, Saskatchewan
February 27, 2009

MEYERS NORRIS PENNY LLP

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To the Shareholders of StorageVault Canada Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors, acting through an Audit Committee composed primarily of directors who are neither management nor employees of the Corporation, is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 12, 2009

"signed" Al Simpson
Chief Executive Officer

"signed" Glenn Fradette
Chief Financial Officer

StorageVault Canada Inc.
Balance Sheets
As at December 31

	2008	2007
Assets		
Current		
Cash	$ **152,024**	$ 304,636
Short term investments (Note 4)	**3,311,760**	1,006,027
Accounts receivable	**43,127**	4,815
Deposits	**218,016**	25,000
Other current assets	**25,871**	2,500
	3,750,798	1,342,978
Income producing properties (Note 5)	**3,105,114**	-
Intangible assets (Note 6)	**184,400**	-
Goodwill (Note 7)	**746,891**	-
	$ **7,787,203**	$ 1,342,978
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	$ **92,571**	$ 20,621
Unearned revenue	**40,617**	-
Current portion of capital lease obligations (Note 8)	**37,781**	-
Current portion of long term debt (Note 9)	**61,314**	-
	232,283	20,621
Capital lease obligations (Note 8)	**67,317**	-
Long term debt (Note 9)	**1,705,057**	-
	2,004,657	20,621
Shareholders' Equity		
Share capital (Note 10)	**6,019,523**	1,332,966
Contributed surplus (Note 10)	**126,250**	100,420
Deficit	**(363,227)**	(111,029)
	5,782,546	1,322,357
	$ **7,787,203**	$ 1,342,978

Approved on behalf of the Board:

"signed" Alan Simpson
Director

"signed" Glenn Fradette
Director

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.
Statements of Operations and Comprehensive Loss and Deficit
For the Year ended December 31, 2008 and the Seven Months ended December 31, 2007

		2008		2007
Revenue				
Storage and related services	$	**304,197**		-
Interest		**28,509**		6,027
		332,706		6,027
Expenses				
Property operating costs		**67,643**		-
Selling, general and administrative		**356,097**		36,556
Stock based compensation		**-**		80,500
Amortization		**122,352**		-
Interest		**65,003**		-
		611,095		117,056
Loss before income taxes		**(278,389)**		(111,029)
Future income tax recovery (Note 11)		**(26,191)**		-
Net Loss and Comprehensive Loss	$	**(252,198)**	$	(111,029)
Deficit, beginning of period		**(111,029)**		-
Deficit, end of period	$	**(363,227)**	$	(111,029)
Basic and diluted net loss per common share	$	**(0.019)**	$	(0.018)
Weighted average number of common shares outstanding		**13,237,177**		6,186,047

StorageVault Canada Inc.
Statements of Cash Flows
For the Year ended December 31, 2008 and the Seven Months ended December 31, 2007

	2008	2007
Cash provided by (used for) the following activities:		
Operating activities		
Net Loss	$ **(252,198)**	$ (111,029)
Adjustment for non-cash items:		
Future income taxes	**(26,191)**	-
Amortization	**122,352**	-
Stock based compensation	**-**	80,500
	(156,037)	(30,529)
Net change in non-cash working capital balances		
Accounts receivable	**(29,812)**	(4,815)
Deposits	**(193,016)**	(25,000)
Other current assets	**(23,371)**	(2,500)
Accounts payable and accrued liabilities	**71,950**	20,621
Unearned revenue	**40,617**	-
	(289,669)	(42,223)
Financing activities		
Issuance of common shares, net of costs	**4,145,023**	1,352,886
Repayment of long term debt	**(37,446)**	-
Deferred financing costs	**(13,982)**	-
	4,093,595	1,352,886
Investing activities		
Acquisition of net assets of T.C. Mini Storage Ltd.	**(909,369)**	-
Acquisition of net assets of Canadian PUPS Storage Inc.	**(600,000)**	-
Acquisition of Canadian PUPS Franchises Inc. master franchise rights	**(20,000)**	-
Purchases of income producing assets	**(121,436)**	-
Purchases of short term investments	**(4,000,000)**	(1,006,027)
Redemptions of short term investments	**1,694,267**	-
	(3,956,538)	(1,006,027)
(Decrease) increase in cash	**(152,612)**	304,636
Cash balance, beginning of period	**304,636**	-
Cash balance, end of period	$ **152,024**	$ 304,636

Supplementary cash flow information - Cash paid during the period for:		
Interest	**56,908**	108
Income taxes	**-**	-

The accompanying notes are an integral part of these financial statements

1. Incorporation, nature and continuance of operations

StorageVault Canada Inc. (the "Corporation") was incorporated under the Business Corporations Act of Alberta on May 31, 2007. The Corporation's primary business is renting both fixed and portable self storage units to residential and commercial customers in Regina, Saskatchewan. The Corporation also actively seeks financially accretive properties in other Canadian locations in order to expand its network of portable storage units.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

Measurement Uncertainty
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Amortization is based on the estimated useful lives of tangible assets. Provision for income taxes is based on the estimated tax rates applicable to the Corporation. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the period in which they become known. Actual results could differ from those estimates and the differences could be material to these financial statements.

Short Term Investments
Short term investments consist of highly liquid financial instruments that are redeemable in less than 90 days. Fixed income securities with original maturities of one year or less are carried at cost plus accrued interest, as they are held to maturity. Changes in fair market value recorded in operations.

Income Producing Properties

Income producing properties and intangible assets (other than goodwill) are carried at cost less accumulated amortization, and less impairment loss, if any. Cost includes initial acquisition costs, improvements and other direct costs. The costs of income producing properties acquired in a business combination are allocated to tangible and intangible assets acquired based on their respective fair market values.

The Corporation records amortization of tangible assets over their estimated useful lives as follows:

Buildings	4% declining balance
Leasehold improvements	20% declining balance
Vehicles	30% to 45% declining balance
Storage containers	30% declining balance
Fences and parking lots	8% declining balance
Furniture and equipment	20% declining balance
Computer equipment	45% declining balance
Franchises agreement	10 year straight-line
Intangible – customer relationships	15 months straight-line

Goodwill

Goodwill represents the excess of the purchase price of business acquisitions over the fair values of identifiable net assets acquired in such acquisitions, and is allocated as at the date of the business combination. Goodwill and intangible assets with indefinite useful lives are not subject to amortization but are assessed for impairment on at least an annual basis, and more frequently whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flow approach and the market approach, which utilizes comparable companies' data. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to quantify the amount of the impairment loss, if any. Any impairment in the carrying value of goodwill is recognized in operating income.

In 2008, the Corporation determined there was no impairment in the value of goodwill.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on the declining balance basis, over their estimated useful lives.

Long-lived assets
Long-lived assets consist of tangible assets included in income producing properties. Long-lived assets held for use are measured and amortized as described in the applicable accounting policy.

The Corporation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the periods then ended. Prices for similar items are used to measure fair value of long-lived assets.

Long–lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains.

Future Income Taxes
The Corporation follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Share Issuance Costs
Costs incurred in connection with the issuance of share capital are netted against the proceeds received.

Loss Per Share
The computation of basic loss per share uses the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that would occur if stock options were exercised. The Corporation uses the treasury stock method for outstanding options which assumes that all outstanding stock options with an exercise price below the average market prices are exercised and assumed proceeds are used to purchase the Corporation's common shares at the average market price during the period.

Revenue Recognition
Units are rented to customers pursuant to rental agreements, which provide for monthly rental terms with non-refundable rental payments. The rental agreements may be terminated by the customer without further obligation or cost upon vacating the unit. Revenue from rental agreements is recognized over the rental term. Non-refundable customer deposits, which are received to hold a unit for rent, are deferred and recognized as revenue upon commencement of the rental agreement.

Revenue from investments is recognized when earned.

Stock Based Compensation
The fair value of stock options issued to directors and consultants under the Corporation's stock option plan is estimated at the date of issue using the Black-Scholes option pricing model, and charged to operations and contributed surplus over the vesting period. On the exercise of options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

The fair value of agent options issued to advisors in conjunction with financing transactions is estimated at the date of issue using the Black-Scholes option pricing model, and charged to share capital and contributed surplus over the vesting period. On the exercise of agent options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

Option pricing models require that input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's share purchase options.

Comprehensive Income (Loss)
Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources. "Other comprehensive income" refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. For the year ended December 31, 2008 there were no comprehensive income items.

Financial Instruments
All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale assets, or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Transactions to purchase or sell held for trading financial instruments are recorded on the settlement date, and transaction costs are immediately recognized in income. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity, and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, and impairment write downs are recognized immediately in net earnings from operations.

The Corporation's held for trading financial instruments consist of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities. Long-term debt is classified as other financial liabilities and is measured at amortized cost, using the effective interest rate method. Transaction costs relating to other financial liabilities are applied against the carrying value of the related financial liabilities, and amortized into income using the effective interest rate method. Unless otherwise noted, it is management's opinion that he Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Corporation has determined that it does not have derivatives or embedded derivatives.

Change in Accounting Policies
Effective January 1, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants (CICA) Handbook sections:

a) Section 1535, "Capital Disclosures" requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in note 14 – Capital Risk Management.

b) Section 3862, "Financial Instruments – Disclosures", and Section 3863 "Financial Instruments – Presentation" supersede Section 3861 – Financial Instruments – Disclosure and Presentation. These new Sections provide standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with financial instruments. They also establish standards for presentation of financial instruments and non-financial derivatives. Disclosure requirements are contained in note 12 – Financial Risk Management and Fair Value.

Effective January 1, 2008, the Corporation early adopted the following recently introduced Canadian Institute of Chartered Accountants (CICA) Handbook sections:

c) Section 1582, "Business Combinations" which provides principles and requirements for the acquirer of a business in a business combination, including how to measure identifiable net assets acquired, how to measure goodwill acquired, and how to disclose the nature and financial effects of the business combination.

d) Section 3064, "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Recent accounting pronouncements not yet applied:
In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP over a transition period. The transition period will end in 2011 when IFRS will be fully adopted for profit-oriented publicly accountable enterprises. The Corporation will be required to report its results in accordance with IFRS starting in fiscal 2012 and is assessing the potential impact of this changeover.

3. Acquisitions

On April 30, 2008, the Corporation completed its Qualifying Transaction with the acquisition of 100% the assets and operations of Trans Can Mini Stor ("TC") from T.C. Mini Storage Ltd. TC consists of 8 buildings containing 351 self storage units on approximately 8.3 acres of land on the eastern outskirts of Regina, SK. In addition to satisfying the requirements of a Qualifying Transaction, this property provided proven, stable cash flow and unused land that could be developed for expansion purposes. The purchase price was $2,660,000 which was paid for by assuming a mortgage of $1,750,631 and the balance in cash, adjusted for other working capital amounts.

On December 31, 2008, the Corporation acquired 100% of the assets and business operations of Canadian PUPS Storage Inc. (PUPS) of Regina, SK for a purchase price of $1,338,500. The acquisition included 250 storage containers and two trucks with articulating cranes, as well as other equipment necessary in the operation of a portable storage business. Also acquired were all PUPS' customer lists, business documentation, and in-place contracts as of December 31, 2008. This acquisition provided the Corporation with entry into the portable storage business. Portable storage is seen as a complementary service to fixed storage. In addition to the incremental revenue from the portable storage business, PUPS is expected to generate cost savings through the elimination of duplicated occupancy and administrative costs incurred by both TC and PUPS. The purchase price for PUPS was paid for by assuming $63,252 of term debt and $107,884 of capital leases; paying $600,000 in cash; and issuing 2,466,798 shares of the Corporation at $0.23 per share for a total of $567,364.

On December 31, 2008, the Corporation acquired a Master Franchise from Canadian PUPS Franchises Inc. ("CPFI") for a fee of $20,000, which was paid from cash on hand. The Master Franchise provides the Corporation with the right and license to operate a "Canadian PUPS – Portable Units, Portable Storage" branded site in any urban location in Canada with a population in excess of 25,000 in exchange for a royalty of 3.5% of all portable storage related revenues. Additionally, the Corporation agrees to purchase all storage containers for future operations from CPFI. This Master Franchise will allow the Corporation to augment any future acquisitions of self storage facilities with the cash flow from a complementary portable storage operation.

A summary of the assets acquired and liabilities assumed, using the purchase method of accounting, resulting from acquisitions in the current fiscal year is as follows:

	30-Apr-08 TC	31-Dec-08 PUPS	Total
Tangible Assets			
Land	380,000	-	380,000
Leasehold improvements	-	2,500	2,500
Buildings	2,080,000	-	2,080,000
Storage containers	-	363,300	363,300
Vehicles	-	136,000	136,000
Fences and parking lots	52,500	-	52,500
Furniture and equipment	7,500	7,500	15,000
Computer equipment	2,000	-	2,000
Accounts receivable	-	8,500	8,500
Intangible Assets			
Tenant relationships	138,000	100,000	238,000
Goodwill	-	746,891	746,891
	2,660,000	1,364,691	4,024,691
Liabilities			
Capital leases	-	(107,884)	(107,884)
Term debt	-	(63,252)	(63,252)
Mortgages	(1,750,631)	-	(1,750,631)
	(1,750,631)	(171,136)	(1,921,767)
Future income taxes	-	(26,191)	(26,191)
Net Assets Acquired	909,369	1,167,364	2,076,733

Consideration paid for the net assets acquired was obtained from the following;

Cash	909,369	600,000	1,509,369
Common shares	-	567,364	567,364
	909,369	1,167,364	2,076,733

Selected information for each acquistion, since its respective acquisition date:

Revenue	304,121	-	304,121
Net income	48,541	-	48,541

4. Short Term Investments

Short term investments consist of Guaranteed Investment Certificates issued by the Canadian Western Bank. The certificates have maturities of 30 days or less. The carrying value of all certificates equals the market value as at December 31, 2008.

5. Income Producing Properties

	December 31, 2008			December 31, 2007
	Cost	Accumulated Amortization	**Net**	Net
Land	380,000	-	**380,000**	-
Leasehold improvements	2,500	-	**2,500**	-
Buildings	2,186,770	43,735	**2,143,035**	-
Storage containers	267,389	-	**267,389**	-
Vehicles	56,000	-	**56,000**	-
Fences and parking lots	67,166	2,687	**64,479**	-
Furniture and equipment	13,100	750	**12,350**	-
Computer equipment	3,900	450	**3,450**	-
	2,976,825	47,622	**2,929,203**	-
Storage containers under capital lease	95,911	-	**95,911**	-
Vehicles under capital lease	80,000	-	**80,000**	-
	175,911	-	**175,911**	-
	3,152,736	47,622	**3,105,114**	-

6. Intangible Assets

	December 31, 2008			December 31, 2007
	Cost	Accumulated Amortization	Net	Net
Franchise agreements	20,000	-	**20,000**	-
Tenant relationships	238,000	73,600	**164,400**	
	258,000	73,600	**184,400**	-

7. Goodwill

The continuity of goodwill is as follows

	December 31, 2008	December 31, 2007
Opening balance	**-**	-
Additions, net	**746,891**	-
Goodwill impairment	**-**	-
Ending balance	**746,891**	-

8. Capital Lease Obligations

	December 31, 2008	December 31, 2007
Capital lease obligation bearing interest at 7.65%, repayable in monthly blended installments of $478 plus taxes, due December 2011	**15,223**	-
Capital lease obligation bearing interest at 7.85%, repayable in monthly blended installments of $434 plus taxes, due April 2012	**15,223**	-
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of $447 plus taxes, due June 2012	**16,179**	-
Capital lease obligation bearing interest at 8.65%, repayable in monthly blended installments of $417 plus taxes, due August 2012	**15,604**	-
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of $1,984 plus taxes, maturing November 2010, against which vehicles with a net book value of $43,660 have been pledged as collateral	**42,869**	-
	105,098	-
Less current portion	**37,781**	-
	67,317	-

Minimum lease payments related to the obligations under capital leases are as follows:

2009	45,099
2010	44,117
2011	21,296
2012	7,748
2013	-
	118,260
Less imputed interest	(13,162)
	105,098
Less current portion	(37,781)
	67,317

9. Long Term Debt

	December 31, 2008	December 31, 2007
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of $1,212, due November 2011	**37,650**	-
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of $1,024, due January 2011	**23,352**	-
Mortgage repayable in monthly blended installments of $11,219, bearing interest at 5.72%, due August 2016. Secured by a first charge on the related land and property with a net book value of $2,587,514 and a general assignment of rental revenue	**1,718,221**	-
Deferred financing costs (net of amortization of $1,130)	**(12,852)**	
	1,766,371	-
Less current portion	**61,314**	-
	1,705,057	-

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2009	61,314
2010	65,431
2011	56,522
2012	45,573
2013	48,217

The commercial loan and capital lease obligations are secured by:

- General security agreement covering all assets of the Corporation
- General assignment of rents and leases
- Registered charge over existing portable storage units and any portable storage units purchased under the agreement
- Assignment of insurance coverage over all assets of the Corporation

10. Share Capital

Authorized:
Unlimited number of common shares
Unlimited number of preferred shares issuable in series

Common shares issued:

	Number of Shares	Amount
Balance, May 31, 2007 (inception)	-	-
Seed capital shares	5,000,000	500,000
Issued for cash pursuant to initial public offering	5,000,000	1,000,000
Share issuance costs	-	(167,034)
Balance, December 31, 2007	10,000,000	1,332,966
Private placement	18,391,304	4,230,000
Broker compensation - private placement	678,696	156,100
Shares issued for property acquired (Note 3)	2,466,798	567,364
Share issuance costs	-	(266,907)
Balance, December 31, 2008	31,536,798	6,019,523

On October 31, 2008, the Corporation issued by private placement 18,391,304 common shares at a price of $0.23 each. In addition, the brokers of the private placement received, as commission, a total of 678,698 common shares at $0.23 each.

On December 31, 2008, pursuant to the acquisition of the assets and operations of Canadian PUPS Storage Inc. (see Note 3), the Corporation issued 2,466,798 common shares at $0.23 each. Two of the three principals of Canadian PUPS Storage Inc. are also directors and officers of the Corporation.

The seed capital shares were issued for cash and are subject to a CPC Escrow agreement. Under the agreement, 10% of the escrowed shares were released from escrow on the completion of the Qualifying Transaction and an additional 15% will be released in increments of 15% every six months thereafter. As at December 31, 2008, 1,250,000 (December 31, 2007 – nil) seed capital shares were released from escrow, and 3,750,000 (December 31, 2007 – 5,000,000) remain subject to the Escrow agreement.

Contributed surplus:

	December 31, 2008	December 31, 2007
Opening balance	**100,420**	-
Stock based compensation	**25,830**	100,420
Exercise of retained options	**-**	-
Ending balance	**126,250**	100,420

Stock Options and Warrants
The Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to 5 years from the date of grant, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding shares. The exercise price for purchasing these shares cannot be less than the minimum exercise price as provided by stock exchange rules.

Pursuant to an initial public offering which closed in November 2007, the Corporation granted 1,000,000 stock options, which vested immediately and have an exercise price of $0.20 per share and will expire on November 5, 2012. The Corporation also granted stock options to the agent when they completed its initial public offering to acquire 400,000 common shares which is equal to 8% of the common shares issued under the initial public offering. The options vested immediately and have an exercise of $0.20 per share and expire November 12, 2009. In accordance with CICA 3870, the fair value of these stock options was estimated at the date of the grant using the Black-Scholes Option Pricing Model. The Corporation used the following weighted average assumptions in the period: risk-free interest rate of 3.75%; dividend yield of 0%; a volatility factor of the expected market price of the Corporation's shares of 39%; and an expected option life of 2 years for the agent's options and 5 years for the directors and officers options. The estimated fair value of the options issued to the directors and officers was $0.0805 per option, and $0.0498 for the agent.

Pursuant to private equity placement which closed in October 2008, the Corporation granted 678,696 agents' compensation warrants, which vested immediately and have an exercise price of $0.23 per share and will expire on October 31, 2010. In accordance with CICA 3870, the fair value of these warrants was estimated at the date of the grant using the Black-Scholes Option Pricing Model. The Corporation used the following weighted average assumptions in the period: risk-free interest rate of 2.16%; dividend yield of 0%; a volatility factor of the expected market price of the Corporation's shares of 109%; and an expected warrant life of 2 years. The estimated fair value of the warrants issued was $0.038 per warrant.

Included in the statement of operations for the year ended December 31, 2008 was stock-based compensation expense of $nil (December 31, 2007 - $80,500) relating to the fair value of stock options granted to directors and officers. Included in share issuance costs is $25,830 (December 31, 2007 - $19,920) relating to the fair value of stock options and warrants granted to agents. The total amount charged to contributed surplus was $25,830 (December 31, 2007 - $100,420).

Stock options and warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2008	Outstanding December 31, 2007
$0.20	Nov 5, 2012	1,000,000	1,000,000
$0.20	Nov 12, 2009	400,000	400,000
$0.23	Oct 31, 2010	678,696	-

11. Income Taxes

The nature and tax effect of items giving rise to the Corporation's future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets (liabilities):		
Property and equipment	**12,858**	-
Capital lease obligations	**(19,120)**	-
Goodwill	**(17,288)**	-
Intangible assets	**16,215**	-
Share issuance costs	**84,712**	42,761
Deferred finance charge	**(450)**	-
Non-capital loss carry forwards	**97,232**	18,518
Total future income tax assets	**174,159**	61,279
Less: valuation allowance	**(174,159)**	(61,279)
Future income tax liability, net of valuation allowance	**$ -**	$ -

The Corporation has non-capital losses at Decemaber 31, 2008 of $360,118 (December 31, 2007 - $63,854), which expire as follows:

		2008	2007
Non-capital loss carry forwards available until:	2027	**63,854**	63,854
	2028	**296,264**	-
		$ 360,118	$ 63,854

The reconciliation of the Company's effective tax expense is as follows:

	2008	2007
Loss before taxes	**(278,389)**	(111,029)
Combined federal and provincial statutory income tax rate	**32.00%**	35.62%
Income tax recovery calculated at statutory rate	**(89,084)**	(39,549)
Non-deductible items	**235**	29,002
Income tax effect on future income taxes	**21,841**	1,102
Share issuance cost	**(72,064)**	(51,834)
Change in valuation allowance	**112,881**	61,279
Income tax recovery	**$ (26,191)**	$ -

12. Financial Risk Management and Fair Value

In accordance with CICA Handbook disclosure requirements, the Corporation is required to disclose certain information concerning its financial instruments, which are defined as contractual rights to receive or deliver cash or other financial assets.

The Corporation's cash, accounts receivable, short term investments, and accounts payable and accrued liabilities are carried at cost, which approximates fair market value because of short period to scheduled receipt or payment of cash.

The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. As at December 31, 2008 the fair value of long term debt is $1,950,000 (December 31, 2007 – $nil).

Financial instruments may expose the Corporation to a number of financial risks including interest rate risk, credit risk and environmental risk.

a) Interest rate risk – Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. The Corporation is exposed to interest rate risk primarily relating to its long-term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on a majority of its mortgages, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.

b) Credit risk - Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial commitments to the Corporation. Credit risk in storage facilities is mitigated by restricting access by, and ultimately, seizing the property of tenants who are delinquent in payment. Risk is also mitigated as no individual tenant accounts for greater than 5% of the Corporation's overall property income.

c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities.

d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liability for remediation should hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to sell the property, or it might expose the Corporation to civil law suits. To mitigate such risk, the Corporation will obtain a recent Phase I environmental report for all material acquisitions. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by tenants.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant currency risk.

13. Related Party Transactions

Transactions with related parties have been recorded at the exchange amount, unless noted otherwise.

During the year ended December 31, 2008 the Corporation paid administrative fees of $6,400 to Canadian PUPS Storage Inc. (Canadian PUPS). Canadian PUPS is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. The administration services agreement provided for the payment by the Corporation of $1,600 per month to Canadian PUPS for expenses relating to, among other things, rent payable in connection with the Corporation's use of office space, postage, office supplies and other reasonable out-of-pocket expenses incurred by Canadian PUPS in pursuing the Corporation's objectives. The payment of these amounts ceased with the completion of the Corporation's Qualifying Transaction on April 30, 2008.

During the year ended December 31, 2008 the Corporation paid $1,338,500 to Canadian PUPS to acquire 100% of the assets and business operations of Canadian PUPS. See Note 3.

During the year ended December 31, 2008 the Corporation paid $20,000 to Canadian PUPS Franchises Inc. (CPFI) for a Master Franchise which provides the Corporation the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. Pursuant to the Master Franchise Agreement, the Corporation will pay Canadian PUPS Franchises Inc. a one time cash fee of $20,000 and a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS. The Corporation is obligated to develop 20 franchises by December 31, 2012 or pay a one time non-development fee of $15,000 or each undeveloped franchise. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. See Note 3.

During the year ended December 31, 2008 the Corporation paid $167,580 to CPFI for portable storage containers pursuant to the Master Franchise noted above.

During the year ended December 31, 2008 the Corporation paid management fees of $45,250 to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to a management agreement, Detteson is entitled to an annual advisory fee of 0.225% per annum, paid monthly, of the gross book value of the assets of the Corporation, subject to a monthly minimum of $4,000. Detteson is also entitled to receive 0.5% of the cost of any property acquired or sold by the Corporation on the closing date of the purchase or sale.

During the year ended December 31, 2008 the Corporation reimbursed travel and related expenses of $30,527 to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2008 the Corporation paid loan guarantee fees of $5,808 to Alan A. Simpson and loan guarantee fees of $5,808 to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on T. C. Mini Storage Ltd, both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the rate of 0.5% of the outstanding mortgage principal, per person.

During the year ended December 31, 2008 the Corporation paid fees for maintenance of shareholder records of $7,677 to a Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

Included in accounts payable at December 31, 2008 was $2,200 payable to the Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

14. Capital Risk Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholders' equity excluding contributed surplus, and long term debt, if any. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets, and adjust the amount of cash and short term investments. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

On an ongoing basis, the Corporation reviews and assesses its capital structure. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to gross book value ratio. Debt includes mortgages and term debt. Gross book value of assets is total assets plus accumulated amortization of income properties. The Corporations debt to gross book value ratio at December 31, 2008 is 26.9% (December 31, 2007 – n/a).

The Corporation is not subject to any externally imposed capital requirements.

15. Subsequent Events

On October 14, 2008, the Corporation announced that it had entered into an arm's length Option to Purchase Agreement for the assets and business operations of Kenaston Self Storage Inc. in Winnipeg, MB for the purchase price of $7.15 million. In addition the vendor is entitled to receive an additional $150,000 earn out payment in the event the self storage business achieves a pre-determined level of operating revenue. On December 23, 2008, the Option to Purchase Agreement was amended to remove the $150,000 earn out clause. On January 3, 2009 the Corporation exercised the Option. On March 2, 2009, the Corporation completed the transaction.

Kenaston Self Storage consists of two properties. One property is located at 21 Lowson Crescent in Winnipeg. It is approximately 2.75 acres, with 4 storage buildings comprising a total of 536 storage units. The second property is at 87 Lowson Crescent in Winnipeg. This property has no buildings. It has approximately 190 outdoor rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at 87 Lowson Crescent toward a portable storage operation.

The purchase price was paid by $3,750,000 of bank mortgage financing, a vendor take-back of $500,000 of the Corporation's common shares at a price of $0.23 per share, and the remainder in cash.

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