

**StorageVault Canada Inc.**  
**Financial Statements**

For the Years ended December 31, 2010 and 2009



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 30, 2011

"signed" Al Simpson  
Chief Executive Officer

"signed" Glenn Fradette  
Chief Financial Officer



MEYERS NORRIS PENNY LLP

## Independent Auditors' Report

To the Shareholders of StorageVault Canada Inc.:

We have audited the accompanying financial statements of StorageVault Canada Inc., which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations and comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of StorageVault Canada Inc. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

March 30, 2011  
Regina, Saskatchewan

Chartered Accountants



CHARTERED ACCOUNTANTS & BUSINESS ADVISORS  
ROYAL BANK BUILDING, SUITE 900, 2010 - 11TH AVE., REGINA, SK S4P 0J3  
1-877-500-0780 PH. (306) 790-7900 FAX (306) 790-7990 mnp.ca

# StorageVault Canada Inc.

## Balance Sheets

As at December 31

	2010	2009
<b>Assets</b>		
Current		
Cash	\$ 759,495	\$ 311,885
Short term investments (Note 4)	500,000	-
Accounts receivable	144,077	155,582
Inventory	10,686	3,986
Deposits	109,707	109,468
Other current assets	65,066	64,934
	<b>\$ 1,589,031</b>	<b>\$ 645,855</b>
Income producing properties (Note 5)	15,151,168	9,846,270
Intangible assets (Note 6)	33,334	122,667
Goodwill (Note 7)	1,448,607	1,448,607
	<b>\$ 18,222,140</b>	<b>\$ 12,063,399</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 131,846	\$ 332,698
Unearned revenue	54,950	29,067
Current portion of capital lease obligations (Note 8)	19,674	40,164
Current portion of long term debt (Note 9)	388,868	292,932
	<b>595,338</b>	<b>694,861</b>
Capital lease obligations (Note 8)	7,473	27,139
Long term debt (Note 9)	8,222,556	5,487,775
Preferred Shares (Note 10)	2,677,440	-
	<b>11,502,807</b>	<b>6,209,775</b>
Shareholders' Equity		
Share capital (Note 11)	6,513,186	6,513,186
Preferred shares (Note 11)	1,332,477	-
Contributed surplus (Note 11)	470,208	470,208
Deficit	(1,596,538)	(1,129,770)
	<b>6,719,333</b>	<b>5,853,624</b>
	<b>\$ 18,222,140</b>	<b>\$ 12,063,399</b>

### 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.

### Statement of Operations and Comprehensive Loss and Deficit

For the Years ended December 31

	2010	2009
<b>Revenue</b>		
Storage and related services	\$ 2,439,993	\$ 1,737,967
Interest and other	103,670	17,744
	<b>2,543,663</b>	<b>1,755,711</b>
<b>Expenses</b>		
Property operating costs	1,126,094	680,300
Selling, general and administrative	409,768	331,346
Stock based compensation	-	343,958
Amortization	949,834	841,918
Interest	487,820	324,732
	<b>2,973,516</b>	<b>2,522,254</b>
Loss before income taxes	(429,853)	(766,543)
Future income tax recovery (Note 12)	-	-
Net Loss and Comprehensive Loss	\$ (429,853)	\$ (766,543)
Deficit, beginning of year	(1,129,770)	(363,227)
Dividends on preferred shares	(36,915)	-
Deficit, end of year	\$ (1,596,538)	\$ (1,129,770)
Basic and diluted net loss per common share	\$ (0.013)	\$ (0.023)
Weighted average number of common shares outstanding	33,710,711	33,353,355

The accompanying notes are an integral part of these financial statements

# StorageVault Canada Inc.

## Statement of Cash Flows

For the Years ended December 31

	2010	2009
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Net Loss	\$ (429,853)	\$ (766,543)
Adjustment for non-cash items:		
Amortization	949,834	841,918
Future income taxes	-	-
Stock dividend classified as interest	27,610	-
Stock based compensation	-	343,958
	<b>547,591</b>	<b>419,333</b>
Net change in non-cash working capital balances		
Accounts receivable	11,505	(112,455)
Inventory	(6,700)	(3,986)
Deposits	(239)	108,548
Other current assets	(132)	(39,063)
Accounts payable and accrued liabilities	(200,852)	240,127
Unearned revenue	25,883	(11,550)
	<b>377,056</b>	<b>600,954</b>
<b>Financing activities</b>		
Issuance of preferred shares, net of costs	3,963,850	-
Cash dividends paid	(46,068)	-
Increase in preferred shares - debt component	27,610	-
Advances from long term debt	3,145,000	523,817
Repayment of long term debt	(318,601)	(214,684)
Repayment of capital leases	(40,156)	(37,795)
Deferred financing costs	(11,551)	(55,123)
	<b>6,720,084</b>	<b>216,215</b>
<b>Investing activities</b>		
Acquisition of assets of Kenaston Self Storage Ltd.	-	(2,912,000)
Acquisition of assets of B&B Mini Storage	(2,367,500)	-
Acquisition of assets of Parksville Mini Storage	(2,800,000)	-
Additions to income producing properties	(982,030)	(1,050,727)
Purchase of investments	(1,100,000)	-
Redemption of investments	600,000	3,305,419
	<b>(6,649,530)</b>	<b>(657,308)</b>
Increase in cash	447,610	159,861
Cash balance, beginning of year	311,885	152,024
Cash balance, end of year	759,495	311,885
<b>Supplementary cash flow information</b>		
Cash paid during the period for:		
Interest	478,486	305,240
Income taxes	-	-

The accompanying notes are an integral part of these financial statements

## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Years Ended December 31, 2010 and 2009

---

#### **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 Saskatchewan, Manitoba, Ontario and British Columbia. 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 by management in accordance with Canadian generally accepted accounting principles ("GAAP") 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 year's financial statement presentation.

##### *Measurement Uncertainty*

The preparation of financial statements in conformity with Canadian GAAP 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. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible and intangible 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 are recorded in operations.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *Income Producing Properties*

Income producing properties and intangible assets (other than goodwill) are carried at cost less accumulated amortization, and less impairment, 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 income producing properties 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, if any. Any impairment in the carrying value of goodwill is recognized in operating income.

##### *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.

---



## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *Long-lived Assets*

Long-lived assets consist of tangible assets included in income producing properties and intangible assets with finite useful lives. 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 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 capital stock 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.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *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.

In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

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, 2010 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *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 including the liability component of preferred shares 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 the 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.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *Change in Accounting Policies*

In January 2006, the Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards (“IFRS”) will replace Canada’s current Generally Accepted Accounting Principles (“Canadian GAAP”) for all publicly accountable profit-oriented enterprises. The Corporation has developed a conversion plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information relating to 2010. The conversion project consists of three phases:

*Phase 1 Preliminary Impact Assessment* – This phase involves the high-level identification and assessment of the differences between IFRS and Canadian GAAP that will impact the Corporation.

*Phase 2 Detailed Evaluation* – This phase involves performing a detailed impact assessment of the differences between IFRS and Canadian GAAP, reviewing and approving accounting policy choices, undertaking IFRS training, identifying impact on systems and business processes, quantifying IFRS conversion adjustments and drafting IFRS compliant consolidated financial statements.

*Phase 3 Implementation* – This phase involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing pro-forma IFRS compliant consolidated interim and annual financial statements for the 2011 fiscal year including comparatives.

The Corporation is in Phase 3 of the project.

As a result of the preliminary impact assessment, the impact of IFRS adoption is expected to be the greatest in the following areas:

##### *First-time adoption of IFRS (“IFRS 1”)*

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. There are currently fifteen elective exemptions and four mandatory exceptions that need to be considered. The Corporation currently expects to apply elective exemptions such that it will not restate the accounting of past business combinations. The remaining elective exemptions are thought to have limited or no applicability to the Corporation; however, further analysis is still required.

##### *Property, plant and equipment*

IFRS and Canadian GAAP contain the same basic principles for property, plant and equipment; however, there are some differences. Specifically, IFRS requires property, plant and equipment to be broken down into significant components and amortizing each one separately. In addition, unlike Canadian GAAP, IFRS permits property, plant and equipment to be measured at fair value or amortized cost. In this regard, the Corporation expects to continue to reflect property, plant and equipment at amortized cost.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 2 – continued

##### *Impairment of assets*

Canadian GAAP impairment testing involves two steps, the first of which compares the asset carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

IAS 36 Impairment of Assets (“IAS 36”) uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more frequent write-downs where carrying values of assets were previously accepted under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Furthermore, IAS 36 requires the reversal of an impairment loss for an asset other than goodwill (under the cost method by no more than what the depreciated amount of the asset would have been had the impairment not occurred) where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

##### *Business Combinations*

Both IFRS and Canadian GAAP require the acquisition method of accounting for all business combinations. However, differences exist between the two frameworks in other areas. The most significant difference is that transaction costs are expensed immediately under IFRS whereas under Canadian GAAP such costs are included in the cost of the asset acquired. The Corporation early adopted section 1582 Business Combinations under Canadian GAAP and as such there will be limited change upon adoption of IFRS 3.

##### *Income taxes*

IAS 12 Income Taxes is similar to Canadian GAAP in that the Corporation has to recognize deferred (future) taxes on temporary differences between the carrying value of assets and liabilities and their tax basis. The adoption of IFRS may have a significant impact on the Corporation’s tax accounting in the period of adoption and in subsequent periods for new temporary differences arising on the conversion to IFRS as a result of changes in carrying values of assets, differences in depreciation expense, residual values, capitalization of borrowing and direct costs and impairment charges and reversals.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period, and as a result, the final impact on the Corporation’s financial statements will only be measured once all the IFRS applicable at the conversion date are known.

The impact on information technology and controls over financial reporting and disclosure is not expected to be significant.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### 3. Acquisitions

On May 10, 2010 the Corporation acquired from an arm's length vendor the assets and operations of B&B Mini Storage (B&B), a self-storage facility located at 1316 Industrial Drive Cambridge, ON. The aggregate purchase price was \$2,367,500 subject to customary adjustments. The purchase price was paid by \$1,495,000 of bank mortgage financing and the remainder in cash. It is approximately 4.76 acres, with 4 storage buildings comprising a total of 25,830 rentable square feet. Approximately 2 acres of the property is undeveloped and is used for rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at this site toward a portable storage operation.

On November 1, 2010 the Corporation acquired from an arm's length vendor the assets and operations of Parksville Mini Storage (Parksville), a self-storage facility located at 1020 Herring Gull Way Parksville, BC. The aggregate purchase price was \$2,800,000 subject to customary adjustments. The purchase price was paid by \$1,400,000 of vendor mortgage financing, \$250,000 of bank mortgage financing and the remainder in cash. It is approximately 3.0 acres, with 13 storage buildings comprising a total of 27,912 rentable square feet. Approximately 1.5 acres of the property is undeveloped. It is the Corporation's intention to re-deploy a portion of the property at this site toward a 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:

	<u>B &amp; B</u>	<u>Parksville</u>
Tangible Assets		
Land	600,000	750,000
Buildings	1,680,000	1,950,000
Parking lots and fences	75,000	80,000
Furniture and equipment	12,500	-
Intangible assets	-	20,000
Net Assets Acquired	<u>2,367,500</u>	<u>2,800,000</u>

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

Cash	872,500	1,150,000
Proceeds from first mortgage on the property	1,495,000	1,650,000
	<u>2,367,500</u>	<u>2,800,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	204,358	43,191
Operating costs	80,753	20,436
Amortization	41,324	43,567
Interest	56,055	11,657
Net income	<u>26,226</u>	<u>(32,469)</u>

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### 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. The interest rate of Certificates held at December 31, 2010 was 1.06%.

#### 5. Income Producing Properties

	December 31, 2010			December 31, 2009		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Land	2,515,400	-	<b>2,515,400</b>	1,080,000	-	1,080,000
Leasehold improvements	5,442	1,724	<b>3,718</b>	5,442	794	4,648
Buildings	11,409,208	613,870	<b>10,795,338</b>	7,737,298	240,467	7,496,831
Storage containers	1,221,696	421,014	<b>800,682</b>	822,294	163,453	658,841
Vehicles	852,695	241,662	<b>611,033</b>	391,739	77,942	313,797
Fences and parking lots	320,804	25,979	<b>294,825</b>	109,389	9,534	99,855
Furniture and equipment	93,570	23,364	<b>70,206</b>	69,809	8,891	60,918
Computer equipment	30,554	17,584	<b>12,970</b>	23,607	7,573	16,034
	<u>16,449,369</u>	<u>1,345,197</u>	<u><b>15,104,172</b></u>	<u>10,239,578</u>	<u>508,654</u>	<u>9,730,924</u>
Storage containers under capital lease	95,911	48,915	<b>46,996</b>	95,911	28,774	67,137
Vehicles under capital lease	-	-	-	80,261	32,052	48,209
	<u>95,911</u>	<u>48,915</u>	<u><b>46,996</b></u>	<u>176,172</u>	<u>60,826</u>	<u>115,346</u>
	<u>16,545,280</u>	<u>1,394,112</u>	<u><b>15,151,168</b></u>	<u>10,415,750</u>	<u>569,480</u>	<u>9,846,270</u>

#### 6. Intangible Assets

	December 31, 2010			December 31, 2009		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Franchise agreements	20,000	4,000	<b>16,000</b>	20,000	-	20,000
Tenant relationships	506,000	488,666	<b>17,334</b>	486,000	383,333	102,667
	<u>526,000</u>	<u>492,666</u>	<u><b>33,334</b></u>	<u>506,000</u>	<u>383,333</u>	<u>122,667</u>

---

**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**7. Goodwill**

The continuity of goodwill is as follows:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Opening balance	1,448,607	746,891
Additions, net	-	701,716
Ending balance	<u>1,448,607</u>	<u>1,448,607</u>

**8. Capital Lease Obligations**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Capital lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011.	5,387	10,493
Capital lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April 2012.	6,574	11,067
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012.	7,529	12,037
Capital lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012.	7,657	11,802
The capital lease obligations noted above are secured by storage containers with a net book value of \$46,996 (December 31, 2009 - \$67,138)		
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$1,984 plus taxes, due November 2010.	-	21,904
	<u>27,147</u>	<u>67,303</u>
Less current portion	19,674	40,164
	<u>7,473</u>	<u>27,139</u>

---



**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**Note 8 – continued**

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

2011	21,296
2012	7,749
2013	-
2014	-
2015	-
	<hr/>
	29,045
Less imputed interest	<hr/>
	(1,898)
	<hr/>
	27,147
Less current portion	<hr/>
	(19,674)
	<hr/>
	7,473
	<hr/>

**9. Long Term Debt**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	12,634	25,631
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	813	12,529
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	64,832	106,838
Commercial loan bearing interest at 6.15%, repayable in monthly blended installments of \$2,251, due November 2012	48,654	71,889
Convertible debenture, bearing interest at 9.5%, due May, 2014. Interest only payments are due quarterly. Debenture holders have the right to convert at any time into Common Shares of the Corporation at the conversion price of \$0.32 per common share.	320,000	320,000

---

**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**Note 9 - Continued**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
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 \$2,386,923 (December 31, 2009 - \$2,463,947) and a general assignment of rental revenue	1,639,045	1,679,757
Mortgage repayable in monthly blended installments of \$32,600, bearing interest at 6.45%, due March, 2014. Secured by a first charge on the related land and property with a net book value of \$5,815,397 (December 31, 2009 - \$6,028,538) and a general assignment of rental revenue	3,456,248	3,621,712
Mortgage repayable in monthly blended installments of \$10,539, bearing interest at 5.80%, due July 2013. Secured by a first charge on the related land and property with a net book value of \$2,282,065 (December 31, 2009 - \$nil) and a general assignment of rental revenue	1,474,880	-
Mortgage repayable in monthly blended installments of \$8,184, bearing interest at 5.00%, due November 2015. Secured by a first charge on the related land and property with a net book value of \$2,332,100 (December 31, 2009 - \$nil) and a general assignment of rental revenue	1,397,649	-
Mortgage repayable in monthly blended installments of \$2,700, bearing interest at 5.05%, due January 2014. Secured by a first charge on the related land with a net book value of \$380,500 (December 31, 2009 - \$nil) and a general assignment of rental revenue	250,000	-
Deferred financing costs net of amortization of \$27,329 (December 31, 2009 - \$11,460)	(53,331)	(57,649)
	<u>8,611,424</u>	<u>5,780,707</u>
Less current portion	388,868	292,932
	<u><u>8,222,556</u></u>	<u><u>5,487,775</u></u>

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 9 – continued

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

2011	388,868
2012	369,954
2013	346,486
2014	687,958
2015	390,772

In addition to the first charge on related land and property under mortgages noted above, long term debt and capital lease obligations are secured by a general security agreement covering all assets of the Corporation, a general assignment of rents and leases and an assignment of insurance coverage over all assets of the Corporation. The Corporation is subject to the following bank covenants:

- Annual cash flow coverage ratio of 1.3 or greater relating to Kenaston property
- Annual cash flow coverage ratio of 1.3 or greater for the entire Corporation
- Minimum tangible net worth at year end to be \$4,000,000
- Total debt to tangible net worth ratio at year end to be 2 to 1 or less

The Corporation is in compliance with bank covenants that are applicable at December 31, 2010.

#### 10. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Debt Component	2,000,000	1,127,119
Issued for cash - Series I - Debt Component	2,000,000	1,522,711
Debt component of stock dividends paid	46,068	27,610
Balance, December 31, 2010	<u>4,046,068</u>	<u>2,677,440</u>

Two investment funds managed by PFM Capital Inc. of Regina, SK committed to make a \$4,000,000 preferred share investment in the Corporation. The preferred share financing was drawn down by the Corporation in two tranches of \$2-million each with the first tranche having been drawn down on the closing date of March 17, 2010 and the second tranche drawn on October 15, 2010.

The preferred shares pay a fixed-rate cumulative dividend of 5% per year payable as follows: i) 2.5% in cash payable quarterly, in arrears, from each respective drawdown date, calculated for the immediately preceding period, and; ii) 2.5% in preferred shares, credited quarterly, in arrears from each respective drawdown date, calculated for the immediately preceding period.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 10 – continued

The preferred shares are convertible at the holder's option into common shares of Corporation for a period of three years from each respective drawdown date at a conversion price of \$0.30. After the closing date, in the event that the Corporation completes a financing of equity securities at a price lower than \$0.30 (a "Down Round Financing"), the original conversion price will be reduced to such lower price of the equity securities issued on the Down Round Financing, provided that the total dollar amount of preferred shares that can be converted at the reduced conversion price cannot exceed the total dollar amount of the Down Round Financing, and further provided that the lower limit of the reduced conversion price is \$0.19.

The preferred shares are retractable after the third anniversary of each respective drawdown date (each, a "Put Date"). After a Put Date, holders of preferred shares shall have the right, upon 150 days prior written notice to the Corporation, to have the Corporation retract the preferred shares for an amount, payable in cash, equal to the issuance price of the preferred shares and all accrued and unpaid dividends

The preferred shares are redeemable any time after the fourth anniversary of each respective drawdown date (each, a "Call Date"). After a Call Date, the Corporation shall have the right, upon 60 days prior written notice to the holder, to redeem all, or a portion of, the preferred shares for an amount, payable in cash, equal to the issuance price of the preferred shares and all accrued and unpaid dividends. Upon the election by the Corporation to redeem preferred shares, the holders shall have a 30-day first right of refusal to convert the preferred shares at the conversion price.

The preferred shares have a liability component because of the retraction feature and an equity component because of the conversion feature. The residual value method was used to value the liability component of the preferred shares. The fair value of the equity component (Note 11) was calculated using the Black-Scholes option pricing model with the following assumptions:

	<u>Tranche 1</u>	<u>Tranche 2</u>
Expected life	3 years	3 years
Risk free rate	2.46%	1.42%
Expected volatility	148%	180%
Exercise price	\$0.30	\$0.30

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### 11. Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
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	<u>10,000,000</u>	<u>1,332,966</u>
Private placement	18,391,304	4,230,000
Broker compensation - private placement	678,696	156,100
Shares issued for property acquired	2,466,798	567,364
Share issuance costs	-	(266,907)
Balance, December 31, 2008	<u>31,536,798</u>	<u>6,019,523</u>
Shares issued for property acquired	2,173,913	500,000
Share issuance costs	-	(6,337)
Balance, December 31, 2009 and 2010	<u><u>33,710,711</u></u>	<u><u>6,513,186</u></u>

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, 2010, 4,250,000 (December 31, 2009 – 2,750,000) seed capital shares were released from escrow, and 750,000 (December 31, 2009 – 2,250,000) remain subject to the Escrow agreement.

---

**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**Note 11 – continued***Preferred shares issued:*

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Equity component		
March 15, 2010	2,000,000	872,881
October 15, 2010	2,000,000	477,289
Share issuance costs	-	(36,151)
Dividends-shares credited to account	46,068	18,458
Balance, December 31, 2010	<u>4,046,068</u>	<u>1,332,477</u>

*Contributed surplus:*

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Opening balance	470,208	126,250
Stock based compensation	-	343,958
Ending balance	<u>470,208</u>	<u>470,208</u>

*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.

---

**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**Note 11 – continued**

The fair value of stock options is estimated at the date of the grant using the Black-Scholes Option Pricing Model. The Corporation used the following significant assumptions:

	2009	2008
Weighted average fair value per option	\$0.156	\$0.038
Risk-free interest rate	1.63%	2.16%
Expected volatility	208%	109%
Expected life (years)	5	2
Dividend yield	0.00%	0.00%

The following table summarizes information about stock options outstanding as at:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,878,696	\$0.22	2,078,696	\$0.21
Granted	-	-	2,200,000	\$0.23
Exercised	-	-	-	-
Expired	(678,696)	\$0.23	(400,000)	\$0.20
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,200,000</u>	<u>\$0.22</u>	<u>3,878,696</u>	<u>\$0.22</u>

Stock options and warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2010	Outstanding December 31, 2009
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.23	Oct 31, 2010	-	678,696
\$0.23	May 6, 2014	2,200,000	2,200,000

---

**StorageVault Canada Inc.****Notes to the Financial Statements**For the Years Ended December 31, 2010 and 2009

---

**12. Income Taxes**

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

	<u>2010</u>	<u>2009</u>
Future income tax assets (liabilities):		
Property and equipment	604	14,410
Capital lease obligations	(13,553)	(12,972)
Goodwill	(54,822)	(36,735)
Intangible assets	115,730	92,927
Share issuance costs	46,683	62,648
Deferred finance charge	(1,454)	(1,393)
Non-capital loss carry forwards	321,409	170,685
Total future income tax assets	<u>414,597</u>	<u>289,570</u>
Less: valuation allowance	<u>(414,597)</u>	<u>(289,570)</u>
Future income tax liability, net of valuation allowance	<u>\$ -</u>	<u>\$ -</u>

The Corporation has non-capital losses at December 31, 2010 of \$1,190,404 (December 31, 2009 - \$632,167), which expire as follows:

		<u>2010</u>	<u>2009</u>
Non-capital loss carry forwards available until:	2027	63,854	63,854
	2028	296,264	296,264
	2029	272,049	272,049
	2030	558,237	
		<u>\$ 1,190,404</u>	<u>\$ 632,167</u>

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

	<u>2010</u>	<u>2009</u>
Loss before taxes	(429,853)	(766,543)
Combined federal and provincial statutory income tax rate	30.00%	31.00%
Income tax recovery calculated at statutory rate	(128,955)	(237,628)
Non-deductible items	882	107,084
Impact of changes in tax rates	12,807	16,844
Share issuance cost	(9,761)	(1,711)
Change in valuation allowance	125,027	115,411
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

---



## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Years Ended December 31, 2010 and 2009

---

#### **13. 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 fair values of the Corporation's cash, accounts receivable, short term investments, and accounts payable and accrued liabilities approximate their carrying amount because of short period to scheduled receipt or payment of cash.

The fair value of the Corporation's debt obligations, including the liability component of preferred shares 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, 2010 the fair value of long term debt is \$9,242,000 (December 31, 2009 – \$6,222,500) and the fair value of the liability component of preferred shares is \$2,135,000 (December 31, 2009 – nil).

Section 3862 of the CICA Handbook establishes a three tier fair value hierarchy to reflect the significance of the inputs used in measuring the fair value of the Corporation's financial instruments. The three levels are:

Level 1 – This level includes assets and liabilities measured at fair market value based on unadjusted quoted prices for identical assets and liabilities in active markets that the Corporation can access on the measurement date.

Level 2 – This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

Level 3 – The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value instrument.

---

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 13 – continued

The following table presents information on the Corporation's assets and liabilities measured at fair value and indicates the fair value hierarchy of the valuation techniques used to determine this fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$759,495	-	-	\$759,495
Short term investments	\$500,000		-	\$500,000
Accounts receivable	-	\$144,077	-	\$144,077
<b>Liabilities</b>				
Accounts payable & accrued liabilities	-	\$131,846	-	\$131,846

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.
-

## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Years Ended December 31, 2010 and 2009

---

#### Note 13 – continued

- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liabilities 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.

#### 14. Related Party Transactions

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

During the year ended December 31, 2010, the Corporation paid management fees of \$125,737 (December 31, 2009 - \$101,083) 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 \$8,333. 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, 2010, the Corporation reimbursed travel and related expenses of \$29,858 (December 31, 2009 - \$135,978) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2010, the Corporation paid loan guarantee fees of \$8,400 (December 31, 2009 - \$8,592) to Alan A. Simpson and loan guarantee fees of \$8,400 (December 31, 2009 - \$8,592) 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.

---

## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Years Ended December 31, 2010 and 2009

---

#### **Note 14 – continued**

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to the Master Franchise Agreement, the Corporation is obligated to develop 20 franchises by December 1, 2012 or pay a one time non-development fee of \$15,000 for each undeveloped franchise. The Corporation also pays a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the year ended December 31, 2010, the Corporation paid \$29,999 (December 31, 2009 - \$26,525) for royalties and \$961,766 (December 31, 2009 - \$358,630) for storage containers and other equipment under the Master Franchise Agreement.

During the year ended December 31, 2010, the Corporation paid fees for maintenance of shareholder records of \$9,377 (December 31, 2009 - \$9,708) to a financial trust company of which one director and executive officer is also a director of the Corporation.

During the year ended December 31, 2009, the Corporation issued convertible, unsecured debentures in the amount of \$210,000 to officers, directors and spouses of directors of the Corporation. During the year ended December 31, 2010, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$19,950 (December 31, 2009 - \$9,975).

Included in accounts payable, relating to the previously noted transactions, at December 31, 2010 was \$6,646 (December 31, 2009 - \$66,156) payable to CPFI.

---

## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Years Ended December 31, 2010 and 2009

---

#### **15. 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. 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, term debt and subordinated debt. Gross book value of assets is total assets plus accumulated amortization of income properties. The Corporation's debt to gross book value ratio at December 31, 2010 is 48.3% (December, 2009 – 46.2%).

Except for the debt covenants described in Note 9, the Corporation is not subject to any externally imposed capital requirements.

#### **16. Segmented Information**

The Corporation's owns income producing properties in Canada. The Corporation does not distinguish or group its operations on a geographic basis, and accordingly, has a single reportable segment for disclosure purposes. None of the Corporation's tenants individually account for revenues in excess of 10% of the Corporation's total revenues for the year ended December 31, 2010.

---

## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Years Ended December 31, 2010 and 2009

---

#### **17. Subsequent Events**

On January 18, 2011 the Corporation announced that it had entered into an Agreement of Purchase and Sale to sell to PepsiCo Foods Canada ("PepsiCo"), a business unit of PepsiCo Canada ULC, approximately 2.16 acres of land (the "Sale Property") located in Cambridge, Ontario currently being used as storage for recreational vehicles as part of the Corporation's B&B Mini Storage facility. The aggregate sale price is \$760,000 (subject to customary adjustments) comprised of \$350,000 cash and the conveyance by PepsiCo to the Corporation of a property at closing consisting of approximately 1.45 acres of land situated adjacent to B&B Mini Storage. In addition, the Corporation shall lease back the Sale Property for a two year term rent free. The Sale Agreement is subject to a number of conditions, including but not limited to: (i) the completion of due diligence and environmental investigations with respect to the Exchanged Property that must be satisfactory to the Corporation in its sole discretion; (ii) the completion of due diligence and environmental investigations with respect to the Sale Property that must be satisfactory to PepsiCo in its sole discretion; and (iii) legal severance of the Sale Property from the Corporation's B&B Mini Storage lands in order to convey the Sale Property to PepsiCo.

Pursuant to the Sale Agreement, the terms of payment to the Corporation by PepsiCo for the Sale Property will be: (i) a \$50,000 first refundable deposit upon acceptance of the Sale Agreement; (ii) a second \$75,000 deposit upon removal of due diligence conditions; (iii) a final cash payment of \$225,000 and the conveyance of the 1.45 acre property at closing.

The completion of the transaction is expected on or before April 29, 2011.

---

# StorageVault Canada Inc.

## DIRECTORS

Dan Baldwin  
Regina, SK

Paul G. Smith  
Toronto, ON

Alan Simpson  
Regina, SK

Glenn Fradette  
Regina, SK

Rob Duguid  
Regina, SK

## OFFICERS

Alan Simpson  
Chief Executive Officer

Glenn Fradette  
Chief Financial Officer

## LEGAL COUNSEL

Davis LLP  
Livingston Place  
1000 – 250 2<sup>nd</sup> St S.W.  
Calgary, AB T2P 0C1  
Telephone 403-296-4470  
Facsimile 403-296-4474

## AUDITORS

Meyers Norris Penny LLP  
Royal Bank Building  
Suite 900, 2010 – 11<sup>th</sup> Avenue  
Regina, SK S4P 0J3  
Telephone 306-790-7900  
Facsimile 306-790-7990

## HEAD OFFICE

StorageVault Canada Inc  
6050 Diefenbaker Avenue  
P.O Box 32062  
Regina, SK S4N 7L2  
Telephone 306-546-5999  
Facsimile 306-546-5998

## REGISTRAR & TRANSFER AGENT

Equity Financial Trust Company  
505 – 3<sup>rd</sup> St S.W., Suite 850  
Calgary, AB T2P 3E6  
Telephone 403-265-0208  
Facsimile 403-265-0232

## TSX VENTURE EXCHANGE LISTING

SVI

---