

StorageVault Canada Inc.
Financial Statements

For the Years ended December 31, 2011 and 2010



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 International Financial Reporting Standards. 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.

MNP 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, 2012

"signed" Al Simpson
Chief Executive Officer

"signed" Glenn Fradette
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of StorageVault Canada Inc.:

We have audited the accompanying financial statements of StorageVault Canada Inc., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 International Financial Reporting Standards, 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, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

March 30, 2012
Regina, Saskatchewan

MNP LLP
Chartered Accountants

StorageVault Canada Inc.
Statements of Financial Position

	December 31 2011	December 31 2010 (note 17)	January 1 2010 (note 17)
Assets			
Current			
Cash and short term deposits (Note 4)	\$ 694,641	\$ 1,259,495	\$ 311,885
Accounts receivable	334,798	144,077	155,582
Inventory	10,287	10,686	3,986
Deposits	79,418	109,707	109,468
Other current assets	83,460	65,066	64,934
	\$ 1,202,604	\$ 1,589,031	\$ 645,855
Property, plant and equipment (Note 5)	15,137,695	15,204,322	9,876,204
Intangible assets (Note 6)	14,934	33,334	122,667
Goodwill (Note 6)	1,448,607	1,448,607	1,448,607
	\$ 17,803,840	\$ 18,275,294	\$ 12,093,333
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	\$ 170,186	\$ 131,846	\$ 332,698
Unearned revenue	53,622	54,950	29,067
Current portion of finance lease obligations (Note 7)	7,476	19,674	40,164
Current portion of long term debt (Note 8)	423,518	388,868	292,932
	654,802	595,338	694,861
Finance lease obligations (Note 7)	-	7,473	27,139
Long term debt (Note 8)	8,000,277	8,275,887	5,545,420
Preferred shares (Note 9)	2,745,007	2,677,440	-
	11,400,086	11,556,138	6,267,420
Shareholders' Equity			
Share capital (Note 10)	6,466,915	6,513,186	6,513,186
Preferred shares (Note 10)	1,367,014	1,332,477	-
Contributed surplus (Note 10)	470,208	470,208	470,208
Deficit	(1,900,383)	(1,596,715)	(1,157,481)
	6,403,754	6,719,156	5,825,913
	\$ 17,803,840	\$ 18,275,294	\$ 12,093,333

Subsequent Events (Note 16)

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 Changes in Equity
For the Years ended December 31

	2011	2010
Common Share Capital		
Balance, beginning of the period	\$ 6,513,186	\$ 6,513,186
Common shares issued under Option Plans	-	-
Share based compensation	-	-
Common shares purchased and cancelled	(46,271)	-
Balance, end of the period	6,466,915	6,513,186
Preferred Share Capital		
Balance, beginning of the period	\$ 1,332,477	\$ -
Preferred shares issued	-	1,350,170
Stock dividends paid	34,537	18,458
Preferred share issuance costs	-	(36,151)
Balance, end of the period	1,367,014	1,332,477
Contributed Surplus		
Balance, beginning of the period	\$ 470,208	\$ 470,208
Share based compensation	-	-
Common shares purchased	-	-
Balance, end of the period	470,208	470,208
Deficit		
Balance, beginning of the period	\$ (1,596,715)	\$ (1,157,481)
Net income / (loss)	(223,498)	(402,319)
Charges for Normal Course Issuer Bid	(11,095)	-
Dividends on preferred shares	(69,075)	(36,915)
Balance, end of the period	(1,900,383)	(1,596,715)

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.

Statements of Income (Loss) & Comprehensive Income (Loss)

For the Years ended December 31

	2011	2010
Revenue		
Storage and related services	\$ 3,332,055	\$ 2,532,927
Equipment sales	525,718	5,760
Interest	6,243	4,048
Other	21,089	928
	3,885,105	2,543,663
Expenses		
Property operating costs	1,591,745	1,126,094
Equipment cost of sales	443,110	-
Selling, general and administrative	571,421	421,127
Amortization	1,080,758	910,941
Interest	652,172	487,820
	4,339,206	2,945,982
Net Income (loss) before undernoted item	(454,101)	(402,319)
Gain on disposal of property, plant and equipment	230,603	-
Net Income (loss) before income taxes	(223,498)	(402,319)
Deferred income tax recovery (Note 11)	-	-
Net Income (loss) and Comprehensive Income (loss)	\$ (223,498)	\$ (402,319)
Net income / (loss) per common share		
Basic	\$ (0.007)	\$ (0.012)
Diluted	\$ (0.007)	\$ (0.012)
Weighted average number of common shares outstanding		
Basic	33,603,794	33,710,711
Diluted	33,603,794	33,710,711

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.
Statements of Cash Flows
For the Years ended December 31

	2011	2010
Cash provided by (used for) the following activities:		
Operating activities		
Net Loss	\$ (223,498)	\$ (402,319)
Adjustment for non-cash items:		
Amortization	1,080,758	910,749
Inventory transferred from property, plant and equipment	90,694	-
Gain on disposal of property, plant and equipment	(230,603)	-
Stock dividend classified as interest	67,566	27,610
	784,917	536,040
Net change in non-cash working capital balances		
Accounts receivable	(190,721)	11,505
Inventory	399	(6,700)
Deposits	30,289	(239)
Other current assets	(18,394)	(132)
Accounts payable and accrued liabilities	38,340	(200,852)
Unearned revenue	(1,328)	25,883
	643,502	365,505
Financing activities		
Issuance of preferred shares, net of costs	-	3,963,850
Purchase of common shares	(57,366)	-
Cash dividends paid - equity component	(34,537)	(18,458)
Advances from long term debt	223,183	3,145,000
Repayment of long term debt	(464,143)	(318,601)
Repayment of finance leases	(19,671)	(40,156)
	(352,534)	6,731,635
Investing activities		
Acquisition of assets of B&B Mini Storage	-	(2,367,500)
Acquisition of assets of Parksville Mini Storage	-	(2,800,000)
Additions to property, plant and equipment	(1,148,675)	(982,030)
Disposal of property, plant and equipment	292,853	-
	(855,822)	(6,149,530)
(Decrease) increase in cash	(564,854)	947,610
Cash balance, beginning of period	1,259,495	311,885
Cash balance, end of period	694,641	1,259,495
Supplementary cash flow information: Cash paid during the period for:		
Interest	652,605	478,486
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, 2011 and 2010

1. Description of Business

The financial statements of StorageVault Canada Inc. (the "Corporation") as at and for the year ended December 31, 2011 were authorized for issuance by the Board of Directors of the Corporation on March 30, 2012. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange. The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

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. Basis of Presentation and adoption of IFRS

The Corporation has prepared its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants' (the "Handbook"). In 2010 the Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and required publicly accountable enterprises to apply IFRS standards effective for years beginning on or after January 1, 2011. These financial statements and the notes thereto present the Corporation's financial results of operations and financial position under IFRS as at and for the year ended December 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1 "First time Adoption of International Financial Reporting Standards".

In these statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

The preparation of these financial statements resulted in selected changes to the Corporation's accounting policies compared to financial statements issued under Canadian GAAP. A summary of the significant changes to the Corporation's accounting policies is disclosed in Note 17 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at and for the year ended December 31, 2010.

The financial statements have been prepared under the historical cost method, except for the revaluation of certain financial assets and financial liabilities to fair value. All amounts in these financial statements are expressed in Canadian dollars.

3. Accounting policies

Significant Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Property, plant and equipment – The Corporation determines the carrying value of its property, plant and equipment based on policies that incorporate estimates, assumptions and judgments relative to the useful lives and residual values of the assets. Estimates of future cash flows are based on the most recent available market and operating data at the time the estimate is made.
 - Impairment of goodwill – The Corporation tests goodwill for impairment annually or more often if events or circumstances indicate there may be impairment. This testing requires estimates to be made of future operations of cash generating units which include estimates of future revenues, costs, discount rates and cash flows.
 - Bad debts – The Corporation estimates potential bad debts based on an analysis of historical collection activity and specific identification of overdue accounts. Actual bad debts may differ from estimates made.
 - Income taxes - Income taxes are subject to measurement uncertainty due to the possibility of changes in tax legislation or changes in the characterization of income sources.
 - Compound financial instruments – Certain compound financial instruments, such as preferred shares and subordinated debentures, contain both a liability component and an equity component pursuant to IFRS. The determination of the amount attributable to each component is subject to assumptions made, and valuation models used, at the time the financial instrument is issued.
 - Stock based compensation – Compensation costs accrued for stock based compensation plans are subject to the estimation of the ultimate payout using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.
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StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Business Combinations

All business combinations are accounted for by applying the acquisition method. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair value. The Corporation recognizes intangible assets as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgment and includes assumptions on the timing and amount of future incremental cash flows generated by the assets acquired and the selection of an appropriate cost of capital. The useful lives of intangible assets are estimated, and amortization charged on a straight-line basis.

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity at the date of acquisition. If the cost of acquisition is less than the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity (i.e. a discount on acquisition) the difference is credited to the Statement of Income (Loss) and Comprehensive Income (Loss) in the period of acquisition. At the acquisition date, goodwill acquired is recognized as an asset and is allocated to each of the cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Statement of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

Cash and Short Term Deposits

Cash and short term deposits in the Statement of Financial Position is comprised of cash at bank and on hand, and short term, highly liquid deposits with an original maturity of 3 months or less. For the purpose of the Statement of Cash Flows, cash and short term deposits is as defined above, net of outstanding bank overdrafts, except where no right of set-off exists.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost, where appropriate, is determined using the first-in first-out method.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated amortization and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Income (Loss) and Comprehensive Income (Loss) during the financial period in which they are incurred.

Once an asset is available for use in the location and condition intended by management, it is amortized to its residual value using the appropriate amortization rate set forth by management. Amortization is calculated using the declining balance method to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives, as follows:

Buildings	4%
Leasehold improvements	20%
Vehicles	30% to 45%
Truck decks and cranes	20%
Storage containers	30%
Fences and parking lots	8%
Furniture and equipment	20%
Computer equipment	45%

Land is not amortized.

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the amortization charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is tested for impairment on an annual basis and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows: Franchise Agreements - 10 years; Intangible Customer Relationships - 15 months. The cost of intangible assets acquired in a business combination is the fair value at acquisition date.

Leases

A lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period of time. Where the Corporation is a lessee and has substantially all the risks and rewards of ownership of an asset, the arrangement is considered a finance lease. Finance leases are recognized as assets of the Corporation within property, plant and equipment at the inception of the lease at the lower of fair value and the present value of the minimum lease payments. Assets held under finance leases are amortized on a basis consistent with similar owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the Statement of Income (Loss) and Comprehensive Income (Loss). Other leases where the Corporation is a lessee are treated as operating leases. Payments made under operating leases are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

Where the Corporation is a lessor and has transferred substantially all the risks and rewards of ownership of an asset to a lessee, the arrangement is considered a finance lease. For finance leases, capital amounts due from lessees are recognized as financial assets of the Corporation within trade and other receivables at the inception of the lease at the amount of the net investment in the lease after making provision for bad and doubtful debts. Payments received under finance leases are apportioned between capital repayments and interest income credited to the Statement of Income (Loss) and Comprehensive Income (Loss). Other leases where the Corporation is a lessor are treated as operating leases. For operating leases, the asset is capitalized within property, plant and equipment and amortized over its useful economic life. Payments received under operating leases are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Impairment of Non-Financial Assets

The carrying values of all non-current assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill and intangible assets with indefinite useful lives are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Any provision for impairment is charged to the Statement of Income (Loss) and Comprehensive Income (Loss) in the year concerned. Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

Income Taxes

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Statement of Income (Loss) and Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the Statement of Financial Position date.

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" ("OCI") refers to items recognized in comprehensive income but that are excluded from net income. For the year ended December 31, 2011 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

Loss per Share

Basic earnings per common share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per share is calculated by dividing the net earnings by the weighted average number of shares outstanding as adjusted for the potential dilution that would occur if outstanding stock options, subordinated debentures, preferred shares or other potentially dilutive financial instruments were exercised or converted to common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds received.

Revenue Recognition

Revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Revenue is recognized when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer.

Storage 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 storage unit. Revenue from rental agreements is recognized over the rental term pursuant to the rental agreement. Non-refundable customer deposits, which are received to hold a unit for rent at a future date, are deferred and recognized as revenue upon commencement of the rental agreement. Receipts of rental fees for future monthly periods are deferred and recognized as revenue when each respective monthly period commences. Provision is made for expected allowances as necessary.

Revenue from the sale of merchandise, including locks, boxes, packing supplies and equipment, is recognized when the merchandise is delivered to the customer. Management fee revenue is recognized in accordance with the substance of the relevant agreement. Revenue from investments is recognized when earned.

Segment Reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's CEO in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. 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.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

Where stock options are cancelled, it is treated as if the stock options had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new option is substituted for the cancelled option and is designated as a replacement option on the date that it is granted, the cancelled and the new options are treated as if they were a modification of the original option.

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. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

Financial Instruments

Financial assets can be classified as "fair value through profit or loss", "loans and receivables", "available-for-sale" or "held-to-maturity". Financial liabilities can be classified as "fair value through profit or loss" or "other financial liabilities".

All financial instruments are measured at fair value on initial recognition of the instrument.

Subsequent to initial recognition, measurement of financial assets and financial liabilities is based on the classification. Financial assets and financial liabilities classified as "fair value through profit or loss" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets classified as "available-for-sale" are measured at fair value with changes in fair value recognized in "other comprehensive income". Financial assets classified as "loans and receivables" or "held-to-maturity", as well as financial liabilities classified as "other financial liabilities" are measured at cost using the effective interest method of amortization.

"Loans and receivables" includes accounts receivable, and "other financial liabilities" includes accounts payable and accrued liabilities, current and long term debt, and the liability component of preferred shares. 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, 2011 and 2010

Note 3 - Continued

Accounting Standards Issued but not yet Adopted

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 “Financial Instruments”, which is the result of the first phase of the International Accounting Standards Board’s (“IASB”) project to replace IAS 39 “Financial Instruments – Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories – amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the financial statements of the Corporation.

In October 2009, the IASB published IFRS 7, “Financial Instruments: Disclosures – Transfer of financial assets (Amendment)”. The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact to the Corporation after initial application.

IFRS 10, “Consolidated Financial Statements” has been issued and is effective for periods beginning on or after January 1, 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The Corporation does not expect the impact of the standard to be significant.

IFRS 11, “Joint Arrangements” is effective for periods beginning on or after January 1, 2013. The new rules are aimed at providing investors with greater clarity about a participant’s involvement in a joint arrangement. The key change in relation to the participant’s contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement’s legal form. The Corporation does not expect the impact of the standard to be significant.

IFRS 12, “Disclosure of Interests in Other Entities” has been issued and is effective for periods beginning on or after January 1, 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*. The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Corporation does not expect the impact of the standard to be significant.

On May 12, 2011, the IASB issued IFRS 13, “Fair Value Measurement”, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. IFRS 13 is effective for the Corporation on January 1, 2013. Early adoption is permitted and the standard is required to be applied prospectively. The Corporation uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 3 - Continued

In May 2011, the IASB published IAS 28 "Investments in Associates and Joint Ventures", which is effective for annual periods beginning on or after January 1, 2013. Amendments to IAS 28 provide additional guidance applicable to accounting for interests in joint ventures or associates when a portion of an interest is classified as held for sale or when the Corporation ceases to have joint control or significant influence over an associate or joint venture. When joint control or significant influence over an associate or joint venture ceases, the Corporation will no longer be required to remeasure the investment at that date. When a portion of an interest in a joint venture or associate is classified as held for sale, the portion not classified as held for sale shall be accounted for using the equity method of accounting until the sale is completed at which time the interest is reassessed for prospective accounting treatment. The amendments to the standard are not expected to have a material impact on the presentation of the Corporation's financial position and results of operations.

In June 2011, the IASB issued IAS 1 "Presentation of Items of OCI:" Amendments to IAS 1 Presentation of Financial Statements". The amendments stipulate the presentation of net earnings and OCI and also require the Corporation to group items within OIC based on whether the items may be subsequently reclassified to profit or loss. Amendments to IAS 1 are effective beginning on January 1, 2012. The adoption of the amendments to this standard is not expected to have a material impact on the Corporation's financial statements.

4. Cash

Cash represents balances on deposit at a Canadian Chartered Bank. These balances earn interest at Bank Prime less 2.25% when a minimum balance of \$100,000 is maintained. Term deposits, when used, are short term, highly liquid deposits with an original maturity of 3 months or less. On March 21, 2011, the Corporation redeemed a \$500,000, 30 day term deposit bearing interest at 1.06% per annum. No term deposits were subsequently acquired. As at December 31, 2011, no term deposits were outstanding.

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

5. Property, Plant and Equipment

	<u>Land, Yards, Buildings & Improvements</u>	<u>Storage Containers</u>	<u>Vehicles</u>	<u>Office & Computer Equipment</u>	<u>Total</u>
COST					
January 1, 2010	8,932,129	918,205	472,000	93,416	10,415,750
Additions	183,725	399,402	380,695	18,209	982,031
Disposals	-	-	-	-	-
Business acquisitions	5,135,000	-	-	12,500	5,147,500
December 31, 2010	14,250,854	1,317,607	852,695	124,125	16,545,281
Additions	331,530	696,280	335,692	15,776	1,379,278
Disposals	(292,853)	-	(90,694)	-	(383,547)
December 31, 2011	14,289,531	2,013,887	1,097,693	139,901	17,541,012
ACCUMULATED AMORTIZATION					
January 1, 2010	250,794	192,226	80,060	16,466	539,546
Amortization	390,779	277,702	108,448	24,484	801,413
December 31, 2010	641,573	469,928	188,508	40,950	1,340,959
Amortization	459,055	358,747	218,922	25,634	1,062,358
December 31, 2011	1,100,628	828,675	407,430	66,584	2,403,317
NET BOOK VALUE					
January 1, 2010	8,681,335	725,979	391,940	76,950	9,876,204
December 31, 2010	13,609,281	847,679	664,187	83,175	15,204,322
December 31, 2011	13,188,903	1,185,212	690,263	73,317	15,137,695
Pledged as security for finance leases:					
December 31, 2010					
Cost	-	95,911	-	-	95,911
Acc. Amortization	-	48,915	-	-	48,915
Net Book Value	-	46,996	-	-	46,996
December 31, 2011					
Cost	-	95,911	-	-	95,911
Acc. Amortization	-	63,014	-	-	63,014
Net Book Value	-	32,897	-	-	32,897

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

6. Intangible Assets

		<u>Other Intangible Assets</u>		
	<u>Goodwill</u>	<u>Franchise</u>	<u>Tenant</u>	
		<u>Agreements</u>	<u>Relationships</u>	<u>Total</u>
COST				
January 1, 2010	1,448,607	20,000	486,000	506,000
Capital expenditures	-	-	-	-
Acquisitions	-	-	20,000	20,000
December 31, 2010	1,448,607	20,000	506,000	526,000
Capital expenditures	-	-	-	-
Acquisitions	-	-	-	-
December 31, 2011	1,448,607	20,000	506,000	526,000
ACCUMULATED AMORTIZATION				
January 1, 2010	-	-	383,333	383,333
Amortization	-	4,000	105,333	109,333
December 31, 2010	-	4,000	488,666	492,666
Amortization	-	2,400	16,000	18,400
December 31, 2011	-	6,400	504,666	511,066
NET BOOK VALUE				
January 1, 2010	1,448,607	20,000	102,667	122,667
December 31, 2010	1,448,607	16,000	17,334	33,334
December 31, 2011	1,448,607	13,600	1,334	14,934

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

7. Finance Lease Obligations

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Finance lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011.	-	5,387
Finance lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April 2012.	1,714	6,574
Finance lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012.	2,622	7,529
Finance lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012.	3,140	7,657
The finance lease obligations noted above are secured by storage containers with a net book value of \$32,897 (December 31, 2010 - \$46,996)		
	<u>7,476</u>	<u>27,147</u>
Less current portion	7,476	19,674
	<u>-</u>	<u>7,473</u>

Minimum lease payments related to the finance lease obligations are as follows:

2012	7,652
2013	-
2014	-
2015	-
2016	-
	<u>7,652</u>
Less imputed interest	<u>(176)</u>
	7,476
Less current portion	<u>(7,476)</u>
	<u>-</u>

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

8. Long Term Debt

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	-	12,634
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	-	813
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	-	64,832
Commercial loan bearing interest at 6.15%, repayable in monthly blended installments of \$2,251, due November 2012	23,949	48,654
Commercial loan bearing interest at 5.30%, repayable in monthly blended installments of \$3,219, due January, 2014	75,873	-
Commercial loan bearing interest at 5.60%, repayable in monthly blended installments of \$3,517, due May 2014	95,132	-
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
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 \$5,610,781 (December 31, 2010 - \$5,815,397) and a general assignment of rental revenue	3,279,939	3,456,248

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

Note 8 - Continued

	<u>December 31, 2011</u>	<u>December 31, 2010</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 \$2,307,577 (December 31, 2010 - \$2,386,923) and a general assignment of rental revenue	1,595,971	1,639,045
Mortgage repayable in monthly blended installments of \$10,539, bearing interest at 5.80%, interest reset April 2012, due June 2030. Secured by a first charge on the related land and property with a net book value of \$2,258,209 (December 31, 2010 - \$2,282,065) and a general assignment of rental revenue	1,432,851	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 \$2,258,898 (December 31, 2010 - \$2,332,100) and a general assignment of rental revenue	1,368,662	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 \$384,556 (December 31, 2010 - \$380,293) and a general assignment of rental revenue	231,418	250,000
	<u>8,423,795</u>	<u>8,664,755</u>
Less current portion	423,518	388,868
	<u><u>8,000,277</u></u>	<u><u>8,275,887</u></u>

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 8 - Continued

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

2012	423,518
2013	423,892
2014	708,265
2015	390,772
2016	415,012

In addition to the first charge on related land and property under mortgages noted above, long term debt and finance 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 1.25 or greater for the entire Corporation;
- Annual cash flow coverage ratio net of distributions of 1.10 or greater for the entire Corporation;
- Total debt to tangible net worth ratio at year end to be 2.75 to 1 or less

The Corporation is in compliance with bank covenants that are applicable at December 31, 2011.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

9. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 1, 2010	-	-
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>
Debt component of stock dividends paid	102,103	67,567
Balance, December 31, 2011	<u><u>4,148,171</u></u>	<u><u>2,745,007</u></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.

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

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 9 - Continued

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 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, 2011 and 2010

10. 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, January 1, 2010 and December 31, 2010	<u>33,710,711</u>	<u>6,513,186</u>
Acquired and cancelled-normal course issuer bid	(239,500)	(46,271)
Balance, December 31, 2011	<u><u>33,471,211</u></u>	<u><u>6,466,915</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% were released in increments of 15% every six months thereafter. As at December 31, 2011, 5,000,000 (December 31, 2010 – 4,250,000) seed capital shares were released from escrow, and nil (December 31, 2010 – 750,000) remained subject to the Escrow agreement.

On April 21, 2011, the Corporation announced that it received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a Normal Course Issuer Bid to purchase for cancellation, during the 12-month period commencing April 25, 2011, up to 1,685,536 of its common shares, representing 5% of the common shares outstanding as at April 19, 2011. The program will end on April 24, 2012 unless the maximum amount of common shares is purchased before then or the Corporation provides earlier notice of termination. As of December 31, 2011 the Corporation had purchased through the Exchange 239,500 shares for a total expenditure of \$57,366 (average price of \$0.2395 per share) and a total of 239,500 shares had been cancelled. The carrying amount of share capital was reduced by \$0.1932 per share for a total reduction of \$46,271. The remaining \$11,095 has been charged to Retained Earnings / (Deficit).

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

Note 10 - Continued*Preferred shares issued:*

	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 1, 2010	-	-
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>
Dividends-shares credited to account	102,103	34,537
Balance, December 31, 2011	<u><u>4,148,171</u></u>	<u><u>1,367,014</u></u>

Contributed surplus:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Opening balance	470,208	470,208
Stock based compensation	-	-
Ending balance	<u><u>470,208</u></u>	<u><u>470,208</u></u>

Stock Options

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, 2011 and 2010

Note 10 - 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:

	<u>2009</u>	<u>2008</u>
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, 2011</u>		<u>December 31, 2010</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,200,000	\$0.22	3,878,696	\$0.22
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(678,696)	\$0.23
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,200,000</u>	<u>\$0.22</u>	<u>3,200,000</u>	<u>\$0.22</u>

Stock options outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2011	Outstanding December 31, 2010
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$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, 2011 and 2010

11. Income Taxes

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

	<u>2011</u>	<u>2010</u>
Deferred tax assets (liabilities):		
Property, plant and equipment	19,427	(13,748)
Finance lease obligations	(12,757)	(13,553)
Goodwill	(71,642)	(54,821)
Intangible assets	79,956	82,475
Share issuance costs	20,956	46,682
Deferred finance charge	8,548	12,894
Non-capital loss carry forwards	426,020	321,409
Total deferred income tax assets	<u>470,508</u>	<u>381,338</u>
Less: deferred tax assets not realized	<u>(470,508)</u>	<u>(381,338)</u>
Deferred tax liability, net of deferred tax assets not realized	<u>\$ -</u>	<u>\$ -</u>

The Corporation has non-capital losses at December 31, 2011 of \$1,577,853 (December 31, 2010 - \$1,190,404), which expire as follows:

		<u>2011</u>	<u>2010</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	558,237
	2031	387,449	-
		<u>\$ 1,577,853</u>	<u>\$ 1,190,404</u>

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

	<u>2011</u>	<u>2010</u>
Loss before taxes	(223,498)	(402,319)
Combined federal and provincial statutory income tax rate	<u>28.50%</u>	<u>30.00%</u>
Income tax recovery calculated at statutory rate	(63,697)	(120,696)
Non-deductible items	2,365	882
Impact of changes in tax rates	5,023	12,807
Non-taxable portion of capital gains	(32,861)	-
Share issuance cost	-	(9,761)
Change in deferred tax assets not realized	89,170	116,768
Income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

12. Financial Risk Management and Fair Value

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 and short term deposits, accounts receivable, 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.

The fair value of financial assets and liabilities were as follows:

	<u>As at December 31, 2011</u>		<u>As at December 31, 2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	694,641	694,641	1,259,495	1,259,495
Loans and Receivables				
Accounts receivable	334,798	334,798	144,077	144,077
Financial Liabilities				
Other Financial Liabilities				
Accounts payable and accrued liabilities	170,186	170,186	131,846	131,846
Long term debt	8,423,795	8,867,000	8,664,755	9,242,000
Preferred shares	2,745,007	2,188,000	2,677,440	2,135,000

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 12 - Continued

IFRS 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.

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>
Assets				
Cash and short term deposits	\$694,641	-	-	\$694,641

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 arises from changes in market interest rates that may affect the fair value of future cash flows from the Corporation's financial assets or liabilities. Interest rate risk may be partially mitigated by holding both fixed and floating rate debt, or by staggering the maturities of fixed rate debt. 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. The Corporation presently has no floating rate debt.
-

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 12 - Continued

- 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.

The following table sets forth details of accounts receivable and related allowance for doubtful accounts:

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Accounts receivable under 30 days aged	\$85,825	\$126,217
Accounts receivable over 30 days aged	251,282	23,798
Allowance for doubtful accounts	<u>(2,309)</u>	<u>(5,938)</u>
	\$334,798	\$144,077

- 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 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.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

13. Related Party Transactions

During the year ended December 31, 2011, the Corporation paid management fees of \$145,333 (December 31, 2010 - \$125,737) 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 a base management fee of \$168,000 per year commencing May 1, 2011, subject to an annual increase of 3% on May 1 of each subsequent year as well as an annual performance fee of 4% of Net Operating Income if the Corporation attains 85% or greater of its annual board-approved budgeted Net Operating Income for that fiscal year.

During the year ended December 31, 2011, the Corporation reimbursed travel and related expenses of \$18,111 (December 31, 2010 - \$29,858) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2011, the Corporation paid loan guarantee fees of \$9,144 (December 31, 2010 - \$8,400) to Alan A. Simpson and loan guarantee fees of \$9,144 (December 31, 2010 - \$8,400) 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 original mortgage principal, per person.

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, 2011, the Corporation paid \$52,439 (December 31, 2010 - \$29,999) for royalties and \$1,146,979 (December 31, 2010 - \$961,766) for storage containers and other equipment under the Master Franchise Agreement.

During the year ended December 31, 2009, the Corporation issued \$320,000 of convertible, unsecured debentures of which \$210,000 was issued to officers, directors and spouses of directors of the Corporation. During the year ended December 31, 2011, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$19,950 (December 31, 2010 - \$19,950).

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2011 was \$3,405 (December 31, 2010 - \$6,646) payable to CPFI and \$2,338 (December 31, 2010 - nil) payable to Detteson.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

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. 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 deposits. 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, 2011 is 41.7% (December 31, 2010 - 48.3%).

Except for the debt covenants described in Note 8, the Corporation is not subject to any externally imposed capital requirements.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

15. Segmented Information

The Corporation operates three reportable business segments. Each segment is a component of the Corporation for which separate discrete financial information is available for evaluation by the chief decision makers of the Corporation. The reportable segments are defined by their product offering, being Fixed Self Storage, Portable Storage and Equipment Sales:

- Fixed Self Storage – often called “mini-storage”, this involves the customer renting a secure storage space in a building maintained by the Corporation and transporting his/her possessions to the Corporation’s facilities for short or long term storage. The Corporation’s facilities range from 135 to over 500 rental units. Fixed Self Storage facilities may also include space for storing vehicles, and/or small commercial operations.
- Portable Storage – this segment involves delivering a storage container to the tenant’s residence or place of business using a specially modified truck. The storage containers range from 3 meters to 6 meters in length. The tenant can opt to keep the storage container at his/her location for the duration of the tenancy or have it moved to another location for further storage.
- Equipment Sales – involves the purchase and resale of equipment used in the either the Fixed Self Storage or Portable Storage industries.

The Corporation evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization and share based compensation. The accounting policies for the business segments are the same as those described in Note 3 – Accounting Policies. Corporate costs are not allocated to the segments and are shown separately below.

For the Year Ended December 31, 2011

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 2,020,531	\$ 1,311,524	\$ 525,718	\$ 21,089	\$ 3,878,862
Operating expenses	714,823	876,922	443,110	571,421	2,606,276
Interest revenue	-	-	-	6,243	6,243
Interest expense	459,446	25,741	-	166,985	652,172
Amortization	483,303	587,836	-	9,619	1,080,758
	362,959	(178,975)	82,608	(720,693)	(454,101)
Gain on disposal	230,603	-	-	-	230,603
Net income/(loss)	\$ 593,562	\$ (178,975)	\$ 82,608	\$ (720,693)	\$ (223,498)
Acquisition of Property, Plant & Equipment	245,980	1,124,495	-	8,803	1,379,278
Acquisition of Intangible Assets	-	-	-	-	-
Segment assets	13,429,873	3,305,717		1,068,250	17,803,840

StorageVault Canada Inc.**Notes to the Financial Statements**For the Years Ended December 31, 2011 and 2010

Note 15 – Continued**For the Year Ended December 31, 2010**

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 1,670,452	\$ 862,475	\$ 5,760	\$ 928	\$ 2,539,615
Operating expenses	600,124	525,970	-	421,127	1,547,221
Interest revenue	-	-	-	4,048	4,048
Interest expense	386,116	16,082	-	85,622	487,820
Amortization	467,382	432,607	-	10,952	910,941
	<u>216,830</u>	<u>(112,184)</u>	<u>5,760</u>	<u>(512,725)</u>	<u>(402,319)</u>
Gain on disposal	-	-	-	-	-
Net income/(loss)	<u>\$ 216,830</u>	<u>\$ (112,184)</u>	<u>\$ 5,760</u>	<u>\$ (512,725)</u>	<u>\$ (402,319)</u>
Acquisition of Property, Plant & Equipment	4,891,666	1,139,672	-	98,192	6,129,530
Acquisition of Intangible Assets	20,000	-	-	-	20,000
Segment assets	13,921,123	2,777,745	-	1,576,426	18,275,294

16. Subsequent Events

On November 2, 2011 the Corporation announced that it entered into an Acquisition Agreement of Purchase and Sale to acquire from an arm's length vendor a self-storage facility located in Calgary, Alberta. The aggregate purchase price is \$3,000,000 (subject to customary adjustments). The Acquisition 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 property that must be satisfactory to the Corporation in its sole discretion; (ii) satisfactory financing; (iii) approval by the board of directors of the Corporation to be given or withheld in its sole discretion; and (iv) if applicable, approval of the shareholders of the Corporation. If all conditions under the Acquisition Agreement are satisfied, the acquisition is scheduled to close on April 30, 2012, or such earlier or later date as is mutually agreeable. The self-storage facility has over 400 rental units with approximately 35,000 square feet of rentable self-storage space together with outdoor spaces for storage of vehicles. The total size of the site is approximately 1.50 acres. The Corporation intends to develop and operate a PUPS portable storage business in Calgary in conjunction with the acquisition of the self-storage facility.

On March 15, 2012 the Corporation completed the acquisition of 2.16 acres of undeveloped land in Saskatoon, SK. The aggregate purchase price was \$480,000 (subject to customary adjustments) and was paid for by \$360,000 of bank mortgage financing and the remainder in cash. The Corporation's intention is to use this land for an expanded PUPS operation in Saskatoon and to develop fixed on-site storage using PUPS containers.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

17. Transition to IFRS

The Corporation's financial statements for the year ended December 31, 2011 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 2. The Corporation has applied IFRS 1 - "First Time Adoption of International Financial Reporting Standards" in preparing these interim financial statements and has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The mandatory exceptions include:

- Estimates required under IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with previous generally accepted accounting principles.
- Derecognition of financial assets and liabilities (if any) pursuant to IAS 39 - "Financial Instruments: Recognition and Measurement" is to be applied prospectively only

The following are the optional exemptions from full retrospective application that the Corporation has elected to apply:

- Business combination exemption - The Corporation has applied the business combination exemption in IFRS 1 - "First Time Adoption of International Financial Reporting Standards" wherein it is not applying IFRS 3 - "Business Combinations" retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the January 1, 2010 transition date. Goodwill arising on acquisitions before January 1, 2010 was retained at the previous GAAP amounts subject to being tested for impairment at that date.
- Share based payment transactions - The Corporation has elected not to apply IFRS 2 "Share Based Payments" to equity instruments that were granted after November 7, 2002 but vested before January 1, 2010 (the date of transition).

IFRS 1- "First Time Adoption of International Financial Reporting Standards" requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. The following reconciliations present the adjustments made to the Corporation's previous Canadian GAAP financial results of operations and financial position to comply with IFRS 1. Reconciliations include the Corporation's Statements of Financial Position as at January 1, 2010 and December 31, 2010; and Statements of Income (Loss) and Comprehensive Income (Loss), Changes in Equity, and Cash Flow for the year ended December 31, 2010.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued

The significant differences between Canadian GAAP and IFRS applied retrospectively by the Corporation under IFRS were:

- PP&E – IFRS requires component accounting for property, plant and equipment, such that each part of an item costing a significant amount in relation to the item’s total cost be amortized separately. Under Canadian GAAP, the Corporation accounted for portable storage container delivery trucks, together with all the permanently mounted equipment on these trucks as “vehicles”. Under IFRS, the cranes and decks mounted on the trucks are considered a component separate from the truck itself. The result of this change was a retrospective change to the amount of amortization charged in previous years.

 - Def. Chgs. – Under Canadian GAAP, the Corporation had deferred certain costs relating to the acquiring mortgage financing on acquired properties. These costs were amortized on a straight line basis over the term of the related mortgage. Under IFRS, the transaction costs for which this treatment is allowed is narrower, such that some of the previously deferred costs were no longer eligible for deferral. Additionally, the amortization of the costs can only be calculated using the effective interest method. Because of the changes in accounting policies, and the immaterial amount of costs eligible for deferral under IFRS, the Corporation has removed all deferred transaction costs retrospectively.
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StorageVault Canada Inc.**Notes to the Financial Statements**

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued**Statement of Financial Position****As at January 1, 2010**

	Canadian GAAP	IFRS Adjustments		IFRS
		PP&E	Def. Chgs.	
Assets				
Current				
Cash and short term deposits	\$ 311,885			\$ 311,885
Accounts receivable	155,582			155,582
Inventory	3,986			3,986
Deposits	109,468			109,468
Other current assets	64,934			64,934
	<u>\$ 645,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,855</u>
Property, plant and equipment	9,846,270	29,934		9,876,204
Intangible assets	122,667			122,667
Goodwill	1,448,607			1,448,607
	<u>\$ 12,063,399</u>	<u>\$ 29,934</u>	<u>\$ -</u>	<u>\$ 12,093,333</u>
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	\$ 332,698			\$ 332,698
Unearned revenue	29,067			29,067
Current portion of finance lease obligations	40,164			40,164
Current portion of long term debt	292,932			292,932
	<u>694,861</u>	<u>-</u>	<u>-</u>	<u>694,861</u>
Finance lease obligations	27,139			27,139
Long term debt	5,487,775		57,645	5,545,420
	<u>6,209,775</u>	<u>-</u>	<u>57,645</u>	<u>6,267,420</u>
Shareholders' Equity				
Share capital	6,513,186			6,513,186
Preferred shares	-			-
Contributed surplus	470,208			470,208
Deficit	(1,129,770)	29,934	(57,645)	(1,157,481)
	<u>5,853,624</u>	<u>29,934</u>	<u>(57,645)</u>	<u>5,825,913</u>
	<u>\$ 12,063,399</u>	<u>\$ 29,934</u>	<u>\$ -</u>	<u>\$ 12,093,333</u>

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued**Statement of Financial Position****As at December 31, 2010**

	Canadian GAAP	IFRS Adjustments		IFRS
		PP&E	Def. Chgs.	
Assets				
Current				
Cash and short term deposits	\$ 1,259,495			\$ 1,259,495
Accounts receivable	144,077			144,077
Inventory	10,686			10,686
Deposits	109,707			109,707
Other current assets	65,066			65,066
	<u>\$ 1,589,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,031</u>
Property, plant and equipment	15,151,168	53,154		15,204,322
Intangible assets	33,334			33,334
Goodwill	1,448,607			1,448,607
	<u>\$ 18,222,140</u>	<u>\$ 53,154</u>	<u>\$ -</u>	<u>\$ 18,275,294</u>
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	\$ 131,846			\$ 131,846
Unearned revenue	54,950			54,950
Current portion of finance lease obligations	19,674			19,674
Current portion of long term debt	388,868			388,868
	<u>595,338</u>	<u>-</u>	<u>-</u>	<u>595,338</u>
Finance lease obligations	7,473			7,473
Long term debt	8,222,556		53,331	8,275,887
Preferred Shares	2,677,440			2,677,440
	<u>11,502,807</u>	<u>-</u>	<u>53,331</u>	<u>11,556,138</u>
Shareholders' Equity				
Share capital	6,513,186			6,513,186
Preferred shares	1,332,477			1,332,477
Contributed surplus	470,208			470,208
Deficit	(1,596,538)	53,154	(53,331)	(1,596,715)
	<u>6,719,333</u>	<u>53,154</u>	<u>(53,331)</u>	<u>6,719,156</u>
	<u>\$ 18,222,140</u>	<u>\$ 53,154</u>	<u>\$ -</u>	<u>\$ 18,275,294</u>

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued**Statement of Changes in Equity
For the Year Ended December 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
Common Share Capital				
Balance, beginning of the period	\$ 6,513,186			\$ 6,513,186
Common shares issued under Option Plans	-			-
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 6,513,186	\$ -	\$ -	\$ 6,513,186
Preferred Share Capital				
Balance, beginning of the period	\$ -			\$ -
Preferred shares issued	1,350,170			1,350,170
Stock dividends paid	18,458			18,458
Preferred share issuance costs	(36,151)			(36,151)
Balance, end of the period	\$ 1,332,477	\$ -	\$ -	\$ 1,332,477
Contributed Surplus				
Balance, beginning of the period	\$ 470,208			\$ 470,208
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 470,208	\$ -	\$ -	\$ 470,208
Deficit				
Balance, beginning of the period	\$ (1,129,770)	\$ 29,934	\$ (57,645)	\$ (1,157,481)
Net Loss	(429,853)	23,220	4,314	(402,319)
Dividends on Preferred Shares	(36,915)			(36,915)
Balance, end of the period	\$ (1,596,538)	\$ 53,154	\$ (53,331)	\$ (1,596,715)

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued**Statement of Income (Loss) and Comprehensive Income (Loss)****For the Year Ended December 31, 2010**

Revenue	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
Storage and related services	\$ 2,532,927			\$ 2,532,927
Equipment sales	5,760			5,760
Interest	4,048			4,048
Other	928			928
	2,543,663	-	-	2,543,663
Expenses				
Property operating costs	1,126,094			1,126,094
Selling, general and administrative	409,768		11,359	421,127
Stock based compensation	-			-
Amortization	949,834	(23,220)	(15,673)	910,941
Interest	487,820			487,820
	2,973,516	(23,220)	(4,314)	2,945,982
Loss before income taxes	(429,853)	23,220	4,314	(402,319)
Deferred income tax recovery	-			-
Net Loss and Comprehensive Loss	\$ (429,853)	\$ 23,220	\$ 4,314	\$ (402,319)
Basic and diluted net loss per common share	\$ (0.013)			\$ (0.012)
Weighted average number of common shares outstanding	33,710,711			33,710,711

StorageVault Canada Inc.

Notes to the Financial Statements

For the Years Ended December 31, 2011 and 2010

Note 17 - Continued

Statement of Cash Flows

For the Year Ended December 31, 2010

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
Cash provided by (used for) the following activities:				
Operating activities				
Net Loss	\$ (429,853)	23,220	4,314	\$ (402,319)
Adjustment for non-cash items:				
Amortization	949,834	(23,220)	(15,865)	910,749
Stock dividend classified as interest	27,610			27,610
	547,591	-	(11,551)	536,040
Net change in non-cash working capital balances				
Accounts receivable	11,505			11,505
Inventory	(6,700)			(6,700)
Deposits	(239)			(239)
Other current assets	(132)			(132)
Accounts payable and accrued liabilities	(200,852)			(200,852)
Unearned revenue	25,883			25,883
	377,056	-	(11,551)	365,505
Financing activities				
Issuance of preferred shares, net of costs	3,963,850			3,963,850
Cash dividends paid - equity component	(18,458)			(18,458)
Advances from long term debt	3,145,000			3,145,000
Repayment of long term debt	(318,601)			(318,601)
Repayment of capital leases	(40,156)			(40,156)
Deferred financing costs	(11,551)		11,551	-
	6,720,084	-	11,551	6,731,635
Investing activities				
Acquisition of assets of B&B Mini Storage	(2,367,500)			(2,367,500)
Acquisition of assets of Parksville Mini Storage	(2,800,000)			(2,800,000)
Additions to income producing properties	(982,030)			(982,030)
	(6,149,530)	-	-	(6,149,530)
Increase in cash	947,610			947,610
Cash balance, beginning of year	311,885			311,885
Cash balance, end of year	1,259,495			1,259,495
Cash paid during the period for:				
Interest	478,486			478,486
Income taxes	-			-

StorageVault Canada Inc.

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