StorageVault Canada Inc.
Consolidated Financial Statements

For the Years ended December 31, 2012 and 2011

To the Shareholders of StorageVault Canada Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated 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 consolidated 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 Audit Committee and management to discuss their audit findings.

April 10, 2013

"signed" Al Simpson	"signed" Glenn Fradette
Chief Executive Officer	Chief Financial Officer

Independent Auditors' Report

To the Shareholders of StorageVault Canada Inc.:

We have audited the accompanying consolidated financial statements of StorageVault Canada Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012 and 2011, and the consolidated statement of income (loss) and comprehensive income (loss), changes in equity 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of StorageVault Canada Inc. and its subsidiaries as at December 31, 2012 and 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

April 10, 2013
Regina, Saskatchewan

Chartered Accountants

ACCOUNTING › CONSULTING › TAX
SUITE 900, ROYAL BANK BUILDING, 2010 - 11TH AVENUE, REGINA SK, S4P 0J3
1.877.500.0780 P: 306.790.7900 F: 306.790.7990 MNP.ca

StorageVault Canada Inc.
Consolidated Statement of Financial Position

		December 31 2012		December 31 2011
Assets				
Current				
Cash and short term deposits (Note 5)	**$**	**233,773**	$	694,641
Short term investments (Note 6)		**134,148**		-
Accounts receivable		**112,175**		334,798
Inventory		**15,292**		10,287
Deposits		**13,665**		79,418
Other current assets		**104,541**		83,460
	$	**613,594**	$	1,202,604
Long term investments (Note 6)		**1,630,099**		-
Property, plant and equipment (Note 7)		**19,859,621**		15,137,695
Intangible assets (Note 8)		**67,722**		14,934
Goodwill (Note 8)		**1,458,607**		1,448,607
	$	**23,629,643**	$	17,803,840
Liabilities and Shareholders' Equity				
Current				
Accounts payable and accrued liabilities	**$**	**416,144**	$	170,186
Unearned revenue		**61,466**		53,622
Current portion of finance lease obligations		**-**		7,476
Current portion of long term debt (Note 9)		**794,753**		423,518
		1,272,363		654,802
Long term debt (Note 9)		**13,927,118**		8,000,277
Preferred shares (Note 10)		**2,814,278**		2,745,007
		18,013,759		11,400,086
Shareholders' Equity				
Share capital (Note 11)		**6,448,175**		6,466,915
Preferred shares (Note 11)		**1,402,424**		1,367,014
Contributed surplus (Note 11)		**470,208**		470,208
Deficit		**(2,704,923)**		(1,900,383)
		5,615,884		6,403,754
	$	**23,629,643**	$	17,803,840

Subsequent Events (Note 17)

Approved on behalf of the Board:

"signed" Alan Simpson — Director

"signed" Glenn Fradette — Director

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

StorageVault Canada Inc.
Consolidated Statement of Changes in Equity
For the Years Ended December 31

		2012		2011
Common Share Capital				
Balance, beginning of the period	$	**6,466,915**	$	6,513,186
Common shares purchased and cancelled		**(18,740)**		(46,271)
Balance, end of the period		**6,448,175**		6,466,915
Preferred Share Capital				
Balance, beginning of the period	$	**1,367,014**	$	1,332,477
Stock dividends paid		**35,410**		34,537
Balance, end of the period		**1,402,424**		1,367,014
Contributed Surplus				
Balance, beginning of the period	$	**470,208**	$	470,208
Balance, end of the period		**470,208**		470,208
Deficit				
Balance, beginning of the period	$	**(1,900,383)**	$	(1,596,715)
Net income (loss)		**(727,042)**		(223,498)
Charges for Normal Course Issuer Bid		**(6,679)**		(11,095)
Dividends on preferred shares		**(70,819)**		(69,075)
Balance, end of the period		**(2,704,923)**		(1,900,383)

StorageVault Canada Inc.

Consolidated Statement of Income (Loss) & Comprehensive Income (Loss)

For the Years Ended December 31

		2012		2011
Revenue				
Storage and related services	**$**	**3,863,595**	$	3,332,055
Equipment sales		**137,560**		525,718
Interest		**5,787**		6,243
Other		**1,053**		21,089
		4,007,995		3,885,105
Expenses				
Property operating costs		**1,899,675**		1,591,745
Equipment cost of sales		**124,680**		443,110
Selling, general and administrative		**689,755**		571,421
Amortization		**1,254,730**		1,080,758
Interest		**766,197**		652,172
		4,735,037		4,339,206
Net income (loss) before undernoted item		**(727,042)**		(454,101)
Gain on disposal of property, plant and equipment		**-**		230,603
Net Income (loss) before income taxes		**(727,042)**		(223,498)
Deferred income tax recovery (Note 12)		**-**		-
Net income (loss) and Comprehensive income (loss)	**$**	**(727,042)**	$	(223,498)

Net income / (loss) per common share				
Basic	**$**	**(0.022)**	$	(0.007)
Diluted	**$**	**(0.022)**	$	(0.007)

Weighted average number of common shares outstanding		
Basic	**33,431,008**	33,603,794
Diluted	**33,464,585**	33,603,794

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

StorageVault Canada Inc.
Consolidated Statement of Cash Flows
For the Years Ended December 31

	2012	2011
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	$ **(727,042)**	$ (223,498)
Adjustment for non-cash items:		
Amortization of property, plant and equipment	**1,254,730**	1,080,758
Amortization of deferred financing costs	**6,985**	-
Inventory transferred from property, plant and equipment	**-**	90,694
Gain on disposal of property, plant and equipment	**-**	(230,603)
Stock dividend classified as interest	**69,271**	67,566
	603,944	784,917
Net change in non-cash working capital balances		
Accounts receivable	**222,623**	(190,721)
Inventory	**(2,005)**	399
Deposits	**65,753**	30,289
Other current assets	**(21,081)**	(18,394)
Accounts payable and accrued liabilities	**245,958**	38,340
Unearned revenue	**7,844**	(1,328)
	1,123,036	643,502
Financing activities		
Purchase of common shares	**(25,419)**	(57,366)
Cash dividends paid - equity component	**(35,409)**	(34,537)
Advances from long term debt	**7,256,202**	223,183
Repayment of long term debt	**(488,182)**	(464,143)
Debt issuance costs	**(476,930)**	-
Repayment of finance leases	**(7,476)**	(19,671)
	6,222,786	(352,534)
Investing activities		
Short and long term investments	**(1,764,247)**	-
Acquisition of Space Place Self Storage	**(3,000,000)**	-
Additions to property, plant and equipment	**(3,030,898)**	-
Additions to intangible assets	**(21,468)**	(1,148,675)
Disposal of property, plant and equipment	**9,923**	292,853
	(7,806,690)	(855,822)
Decrease in cash	**(460,868)**	(564,854)
Cash balance, beginning of year	**694,641**	1,259,495
Cash balance, end of year	**233,773**	694,641
Supplementary cash flow information:		
Cash paid during the year for:		
Interest	**763,217**	652,605
Income taxes	**-**	-

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

1. Description of Business

The consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Corporation") as at and for the year ended December 31, 2012 were authorized for issuance by the Board of Directors of the Corporation on April 10, 2013. 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 British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. 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

These consolidated financial statements and the notes thereto present the Corporation's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the year ended December 31, 2012, including 2011 comparative periods. StorageVault Canada Inc. had no subsidiaries or special purpose entities during the year ended December 31, 2011. Accordingly, only the financial results for the year ended December 31, 2012 are presented on a consolidated basis.

The consolidated financial statements have been prepared under the historical cost method, except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements were prepared on a going concern basis, and are presented in Canadian dollars, which is the Corporation's functional currency.

3. Accounting policies

Basis of Consolidation
The consolidated financial statements include the accounts of the StorageVault Canada Inc., its wholly owned subsidiary Southline Developments Ltd. and the special purpose entity 1712066 Alberta Ltd. all of which are headquartered in Regina, SK. The financial statements for the subsidiary and the special purpose entity are prepared for the same reporting period as StorageVault Canada Inc. using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these consolidated financial statements.

Special Purpose Entity
StorageVault Canada Inc. has established the special purpose entity (SPE) 1712066 Alberta Ltd. for the purpose of refinancing a mortgage on its Regina, SK property using a defeasance process. StorageVault Canada Inc. does not have any direct or indirect shareholdings in this SPE. An SPE is consolidated if, based on an evaluation of the substance of its relationship with StorageVault Canada Inc. and the SPE's risks and rewards, StorageVault Canada Inc. concludes that it controls the SPE. The SPE controlled by StorageVault Canada Inc. was established under terms that impose strict limitations on the decision making powers of the SPE management and that result in StorageVault Canada Inc. receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of the risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

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 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 Consolidated 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 Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

Note 3 - Continued

Significant Accounting Estimates and Judgments
The preparation of the consolidated 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 include, but are not necessarily limited to:

- 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.
- Purchase price allocations – Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.
- 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 convertible 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.

Note 3 - Continued

Management judgments that may affect reported amounts of assets and liabilities, income and expenses include but are not necessarily limited to:

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash flows which make up the Cash Generating Unit ("CGU"). Determination of what constitutes a CGU is subject to management judgment. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.
- The determination of which entities constitute an SPE for the purpose of consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of an SPE.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a Business Combination. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.

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.

Cash and Short Term Deposits
Cash and short term deposits on the Consolidated 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 Consolidated 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.

Short Term Investments and Long Term Investments
Short term investments and long term investments consist of Government of Canada bonds with maturities greater than three months.

Note 3 - Continued

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.

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 Consolidated 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 Consolidated 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 Consolidated 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.

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; Website Development Costs – 12 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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, 2012 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

Note 3 - Continued

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.

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 the 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.

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.

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.

Note 3 - Continued

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.

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

All financial instruments are measured at fair value plus transaction costs on initial recognition of the instrument with the exception of financial instruments classified at FVTPL, which are measured at fair value and any associated transaction costs are expensed as incurred.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

<u>Financial assets at FVTPL</u>
Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Corporation's FVTPL assets consist of cash and short term deposits.

<u>Loans and receivables</u>
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation's loans and receivables consist of accounts receivable.

Note 3 - Continued

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any other category. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an available for sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Corporation currently has no assets which are designated as available for sale.

Held to maturity financial assets
If the Corporation has the positive intent and ability to hold certain financial assets to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation's held to maturity financial assets consist of short term investments and long term investments. These investments are comprised of Government of Canada bonds and cash substituted for mortgage security under defeasance arrangements.

Financial liabilities at FVTPL
Financial assets are classified as FVTPL if they are designated as such by management, or they are derivatives. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Corporation currently has no liabilities which are designated as FVTPL.

Other financial liabilities
Other financial liabilities are financial liabilities that are not classified as FVTPL. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Financing fees and other costs incurred in connection with debt financing are deducted from the cost of the debt and amortized using the effective interest method.

The Corporation's other financial liabilities consist of accounts payable and accrued liabilities, finance lease obligations, and long term debt.

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.

Note 3 - Continued

Accounting Standards Issued but not yet Adopted
The International Accounting Standards Board (the "IASB") or the International Financial Reporting Interpretations Committee (the "IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation.

IFRS 9: Financial Instruments: Classification and Measurement ("IFRS 9")
IFRS 9 as issued reflects the first phase of the IASBs' work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. This standard becomes effective on January 1, 2015. The Corporation is currently evaluating the impact of this new standard.

IFRS 10: Consolidated Financial Statements ("IFRS 10")
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent entity. This new standard is effective for fiscal years beginning January 1, 2013. The Corporation has evaluated this standard and has determined that its implementation will not have a significant impact on the Corporation's financial statements.

IFRS 11: Joint Arrangements ("IFRS 11")
IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. The Corporation does not anticipate any significant changes to the current accounting on adoption of this standard, which becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12: Disclosure of Interests in Other Entities ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with an entity's interest in other entities. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Corporation is currently assessing the impact of adopting this standard.

Note 3 - Continued

IFRS 13: Fair Value Measurement ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure of fair value measurements across various IFRS standards. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The new standard expands the disclosure requirements in respect of fair value measurement such that financial statements in the future will require an analysis of the fair value hierarchy for financial instruments, information about the sensitivity of fair market value measurements to changes in unobservable estimation inputs, detailed commentaries on the valuation methods, as well as other disclosures. IFRS 13 becomes effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect IFRS 13 to have a significant effect on its consolidated financial statements, but may result in more extensive disclosures.

IAS 28: Investments in Associates and Joint Venturers ("IAS 28")
IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. The Corporation does not expect that this amendment will result in a material impact to the consolidated financial statements.

Other Standards
The IASB amended IAS 1: Presentation of Financial Statements with changes effective July 1, 2012 and IAS 19: Employee Benefits with changes effective January 1, 2013. These standards have been reviewed and are not expected to have a significant impact on the Corporation.

4. Acquisitions

On April 30, 2012 the Corporation completed the acquisition from an arm's length vendor of all of the assets and business operations of Space Place Self Storage (South), a self-storage facility located in Calgary, Alberta. The aggregate purchase price was $3,000,000. 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 this facility.

A summary of the assets acquired and liabilities assumed using the purchase method of accounting is as follows:

Land	1,000,000
Buildings	1,829,000
Parking lots and fences	3,000
Furniture and equipment	55,000
Intangible assets	110,000
Resale inventory	3,000
Net Assets Acquired	3,000,000

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

Cash	750,000
Proceeds from first mortgage on the property	2,250,000
	3,000,000

Selected information for the acquisition, since its acquisition date:

Revenue	294,548
Operating costs	154,938
Amortization	100,346
Interest	75,310
Net income (loss)	(36,046)

On November 6, 2012, the Corporation acquired all of the issued and outstanding shares of Southline Developments Ltd. (the "Vendor") from the three arm's length shareholders. The aggregate purchase price was $845,000 (subject to customary adjustments). The purchase price was comprised of cash deposits of $50,000 and a final payment of $795,000 on closing. The Vendor's sole asset was a 1.38 acre parcel of land located Calgary, Alberta. This acquisition was accounted for as a purchase of an asset as it did not meet the criteria of a Business Combination under IFRS. The results of operations of Southline Developments Ltd. have been consolidated into these financial statements commencing on the date of acquisition.

5. Cash and Short Term Deposits

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.

Restricted cash for the purposes of securing operating letters of credit and corporate credit card lines as at December 31, 2012 was $69,702 (December 31, 2011 - $19,500).

6. Short Term Investments and Long Term Investments

	December 31, 2012	December 31, 2011
Short Term Investments		
Government of Canada bonds, interest rates between 1.75% and 3.50%, maturing between March 2013 and June 2013, with a total maturity value of $133,000	**134,148**	-
Long Term Investments		
Government of Canada bonds, interest rates between 2.00% and 3.00%, maturing between June 2014 and June 2016, with a total maturity value of $1,587,000	**1,630,099**	-
	1,764,247	-

7. Property, Plant and Equipment

	Land, Yards, Buildings & Improvements	Storage Containers	Vehicles	Office & Computer Equipment	Total
COST					
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)
Business acquisitions	-	-	-	-	-
December 31, 2011	14,289,531	2,013,887	1,097,693	139,901	17,541,012
Additions	2,241,668	545,708	228,701	14,822	3,030,899
Disposals	-	(4,680)	(3,000)	(2,243)	(9,923)
Business acquisitions	2,832,000	-	25,000	30,000	2,887,000
December 31, 2012	19,363,199	2,554,915	1,348,394	182,480	23,448,988
ACCUMULATED AMORTIZATION					
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
Disposals	-	-	-	-	-
December 31, 2011	1,100,628	828,675	407,430	66,584	2,403,317
Amortization	502,486	436,718	220,193	26,653	1,186,050
Disposals	-	-	-	-	-
December 31, 2012	1,603,114	1,265,393	627,623	93,237	3,589,367
NET BOOK VALUE					
December 31, 2011	13,188,903	1,185,212	690,263	73,317	15,137,695
December 31, 2012	17,760,085	1,289,522	720,771	89,243	19,859,621

8. Intangible Assets

		Other Intangible Assets			
	Goodwill	Franchise Agreements	Tenant Relationships	Website Development	Total
COST					
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
Capital expenditures	-	-	-	21,468	21,468
Acquisitions	10,000	-	100,000	-	100,000
December 31, 2012	1,458,607	20,000	606,000	21,468	647,468
ACCUMULATED AMORTIZATION					
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
Amortization	-	2,400	54,667	11,613	68,680
December 31, 2012	-	8,800	559,333	11,613	579,746
NET BOOK VALUE					
December 31, 2011	1,448,607	13,600	1,334	-	14,934
December 31, 2012	1,458,607	11,200	46,667	9,855	67,722

9. Long Term Debt

	December 31, 2012			December 31, 2011		
	Rate Range	**Weighted Average**	**Balance**	Rate Range	Weighted Average	Balance
Term Debt						
Fixed Rate	5.12% - 5.60%	5.30%	**339,347**	5.30% - 6.15%	5.55%	194,954
	Maturities: January 2014 - July 2017			*Maturities: November 2012 - May 2014*		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	**100,308**			-
	Maturity: May 2021					
Mortgages						
Fixed Rate	5.00% - 6.10%	5.80%	**5,691,590**	5.00% - 6.45%	5.91%	6,475,990
	Maturities: January 2014 - November 2015			*Maturities: January 2014 - August 2016*		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	**2,691,994**			-
	Maturity: November 2017					
Variable Rate	BDC Floating Base plus 0.00% - 0.15%	5.05%	**4,258,792**	BDC Floating Base plus 0.00% - 0.15%	5.80%	1,432,851
	Maturities: June 2030 - May 2038			*Maturity: April 2012*		
Other						
Convertible Debentures	9.50%	9.50%	**320,000**	9.50%	9.50%	320,000
	Maturity: May 2014			*Maturity: May 2014*		
Defeasance Obligation	1.09%	1.09%	**1,789,785**			-
	Maturity: August 2016					
Deferred financing costs net of amortization of $6,985			**(469,945)**			-
			14,721,871			8,423,795
Less current portion			**794,753**			423,518
			13,927,118			8,000,277

Note 9 - Continued

The bank Prime rate at December 31, 2012 was 3.00%. The BDC Floating Base rate at December 31, 2012 was 5.00%.

Term debt is secured by a charge against specific assets. Mortgages are secured by a first charge on the properties of the Corporation. The defeasance obligation is secured by Government of Canada bonds record as Short Term Investments and Long Term Investments (see Note 6).

The deferred financing costs are made up of fees and costs incurred to obtain the related mortgage financing, less accumulated amortization.

In the fiscal year 2012, the Corporation completed the defeasance of a mortgage on the Trans Can property in Regina (the "Defeasance Obligation"). The result was a defeasance obligation (liability) of $1,789,785 at December 31, 2012 being the present value of the remaining payments under the original mortgage at an effective interest rate of 1.09%. The payments will be fully funded by the principal and interest earnings of Short and Long Term Investments of $1,764,247 in Government of Canada Bonds bearing interest rates ranging from 1.75% and 3.50% and maturities ranging from March 2013 to June 2016. Both the defeasance obligation and the Short and Long Term Investments are held within 1712066 Alberta Ltd, a special purpose entity whose financial statements are consolidated with those of StorageVault Canada Inc. as at December 31, 2012.

In 2012, the Corporation negotiated a credit facility with a major financial institution. The facility consists of three segments:

1. A revolving, committed facility of up to $20,000,000 for the acquisition and / or refinancing of self-storage and PUPS portable storage facilities. As at December 31, 2012, the Corporation had assets with a total book values of $2,748,698 pledged to this segment. As at December 31, 2012, the Corporation had drawn $2,691,994 on this segment (December 31, 2011 – $nil), and $3,273,000 remains available to be drawn in the future based on assets pledged to date (December 31, 2011 – $nil).
2. A revolving, committed facility of up to $2,000,000 for the acquisition of PUPS portable storage containers. As at December 31, 2012, the Corporation had drawn $100,308 on this segment (December 31, 2011 – $nil).
3. A revolving, committed facility of up to $1,000,000 for the acquisition of other capital assets used in connection with the Corporations activities. As at December 31, 2012, the Corporation had drawn $nil on this segment (December 31, 2011 – $nil).

The interest rate on each of the segments above is bank prime plus 1.00% or Bankers' Acceptance rate plus 2.75%. Funding is secured by first mortgage charges on fixed and portable storage properties and assets. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of December 31, 2012, the Corporation is in compliance with all covenants.

Note 9 - Continued

In addition to the first charge on related land and property under mortgages noted above, long term debt is secured by general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation is also subject to bank covenant ratios relating to annual cash flow coverage, annual cash flow coverage ratio net of distributions, and total debt to tangible net worth relating to one fixed rate mortgage. The Corporation believes it is in compliance these bank covenants as at December 31, 2012.

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

2013	794,753
2014	1,087,699
2015	748,915
2016	2,064,067
2017	622,006

The Corporation's $320,000 of convertible debentures are redeemable, with proper notice, at the option of the Corporation between May 13, 2012 and May 13, 2013 at 102% of face value; and any time after May 13, 2013 at 100% of face value. They mature May 13, 2014. At any time prior to maturity of the debenture, the holder may convert any or all of the face value of the debentures into common shares of the Corporation at the price of $0.32 per common share. At the time of issuance of the debentures, the fair value of the equity component of the debentures was considered immaterial and the full amount of the debentures was considered debt.

10. Preferred Shares

	Number of Shares	Amount
Balance, December 31, 2010	4,046,068	2,677,440
Debt component of stock dividends paid	102,103	67,567
Balance, December 31, 2011	4,148,171	2,745,007
Debt component of stock dividends paid	104,681	69,271
Balance, December 31, 2012	4,252,852	2,814,278

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 the Corporation for a period of three years from each respective drawdown date at a conversion price of $0.30 and are retractable by the holder after the third anniversary of each respective drawdown date. The preferred shares are redeemable by the Corporation any time after the fourth anniversary of each respective drawdown date. Effective December 27, 2012, the shareholders and the issuer have agreed to amend the features such that the shares are retractable by the holder after the fourth anniversary of each respective drawdown date and are redeemable by the Corporation any time after the fifth anniversary of each respective drawdown date.

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.

11. Share Capital

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

Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2010	33,710,711	6,513,186
Acquired and cancelled-normal course issuer bid	(239,500)	(46,271)
Balance, December 31, 2011	33,471,211	6,466,915
Acquired and cancelled-normal course issuer bid	(97,000)	(18,740)
Balance, December 31, 2012	33,374,211	6,448,175

On June 6, 2012, the Corporation received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation, during the 12-month period commencing June 12, 2012, up to 1,673,561 of its common shares, representing 5% of the common shares outstanding as at June 5, 2012. The program will end on June 12, 2013. As of December 31, 2012 the Corporation had purchased through the Exchange 97,000 shares at an average price of $0.2621 per share for a total cost of $25,419. A total of 97,000 shares had been cancelled. The carrying amount of share capital was reduced by $0.1932 per share for a total reduction of $18,740. The remaining $6,679 has been charged to Retained Earnings / (Deficit). The Corporation undertook a similar NCIB during the 12-month period commencing April 25, 2011. Under that NCIB, as of December 31, 2011, the Corporation 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 were 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 was charged to Retained Earnings / (Deficit).

Preferred shares issued:

	Number of Shares	Amount
Balance, December 31, 2010	4,046,068	1,332,477
Dividends-shares credited to account	102,103	34,537
Balance, December 31, 2011	4,148,171	1,367,014
Dividends-shares credited to account	104,681	35,410
Balance, December 31, 2012	4,252,852	1,402,424

Note 11 - Continued

Contributed surplus:

	December 31, 2012	December 31, 2011
Opening balance	**470,208**	470,208
Stock based compensation	**-**	-
Ending balance	**470,208**	470,208

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 10 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.

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

	December 31, 2012		December 31, 2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Opening	3,200,000	$0.22	3,200,000	$0.22
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Closing and Exercisable	3,200,000	$0.22	3,200,000	$0.22

Stock options outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2012	Outstanding December 31, 2011
$0.20	Nov 5, 2017	1,000,000	1,000,000
$0.23	May 6, 2019	2,200,000	2,200,000

12. Income Taxes

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

	2012	2011
Deferred tax assets (liabilities):		
Property, plant and equipment	**39,981**	19,427
Finance lease obligations	**-**	(12,757)
Goodwill	**(87,426)**	(71,642)
Intangible assets	**90,969**	79,956
Share issuance costs	**111,469**	29,504
Deferred finance charge	**(126,885)**	-
Non-capital loss carry forwards	**593,095**	426,020
Total deferred income tax assets	**621,203**	470,508
Less: deferred tax assets not realized	**(621,203)**	(470,508)
Deferred tax liability, net of deferred tax assets not realized	**$ -**	$ -

The Corporation has non-capital losses at December 31, 2012 of $2,196,486 which expire as follows:

Non-capital loss carry forwards available until:	2027	**63,854**
	2028	**296,264**
	2029	**272,049**
	2030	**530,627**
	2031	**319,883**
	2032	**713,809**
		$ 2,196,486

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

	2012	2011
Loss before taxes	**(727,042)**	(223,498)
Combined federal and provincial statutory income tax rate	**27.00%**	28.50%
Income tax recovery calculated at statutory rate	**(196,301)**	(63,697)
Non-deductible items	**18,067**	2,365
Impact of changes in tax rates	**-**	5,023
Non-taxable portion of capital gains	**-**	(32,861)
Change in estimates re: prior years' non-deductible items	**27,539**	-
Change in deferred tax assets not realized	**150,695**	89,170
Income tax expense (recovery)	**$ -**	$ -

13. 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:

	As at December 31, 2012		As at December 31, 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	**233,773**	**233,773**	694,641	694,641
Loans and Receivables				
Accounts receivable	**112,175**	**112,175**	334,798	334,798
Held to Maturity				
Short term investments	**134,148**	**134,148**	-	-
Long term investments	**1,630,099**	**1,630,099**	-	-
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	**416,144**	**416,144**	170,186	170,186
Long term debt	**14,721,871**	**15,233,000**	8,423,795	8,867,000
Preferred shares	**2,814,278**	**2,188,000**	2,745,007	2,188,000

Note 13 - 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.

	Level 1	Level 2	Level 3	Total
Assets				
Cash and short term deposits	$ 233,773	-	-	$ 233,773
Short term investments	$ 134,148	-	-	$ 134,138
Long term investments	$1,630,099	-	-	$1,630,099

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.

Note 13 - 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:

	December 31, 2012	December 31, 2011
Accounts receivable under 30 days aged	$111,285	$85,825
Accounts receivable over 30 days aged	19,615	251,282
Allowance for doubtful accounts	(18,725)	(2,309)
	$112,175	$334,798

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. Typically the Corporation ensures that it has sufficient cash or liquid investments available to meet expected operation expenses for a period of 30 days, excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its debt repayment obligations and will provide sufficient funding for anticipated capital expenditures.

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

During the year ended December 31, 2012, the Corporation paid total management fees of $232,456 (December 31, 2011 - $145,333) 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. The portion of management fees paid for the year ended December 31, 2012, for performance fee relating to the prior fiscal year was $61,096 (December 31, 2011 - $nil).

During the year ended December 31, 2012, the Corporation reimbursed travel and related expenses of $37,887 (December 31, 2011 - $18,111) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2012, the Corporation paid loan guarantee fees of $8,712 (December 31, 2011 - $9,144) to Alan A. Simpson and loan guarantee fees of $8,712 (December 31, 2011 - $9,144) 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. The Corporation 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, 2012, the Corporation paid $70,759 (December 31, 2011 - $52,439) for royalties and $806,959 (December 31, 2011 - $1,146,979) 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, 2012, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was $19,950 (December 31, 2011 - $19,950).

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2012 was $72,210 (December 31, 2011 - $3,405) payable to CPFI and $2,570 (December 31, 2011 - $2,338) payable to Detteson.

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 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, 2012 is 54.1% (December 31, 2011 – 41.7%).

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 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 2 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, 2012

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	$ 2,249,373	$ 1,614,222	$ 137,560	$ 1,053	$ 4,002,208
Operating expenses	909,985	989,690	124,680	689,755	2,714,110
Interest revenue	-	-	-	5,787	5,787
Interest expense	552,662	38,947	-	174,588	766,197
Amortization	547,287	688,584	-	18,859	1,254,730
	239,439	(102,999)	12,880	(876,362)	(727,042)
Gain on disposal	-	-	-	-	-
Net income/(loss)	$ 239,439	$ (102,999)	$ 12,880	$ (876,362)	$ (727,042)
Acquisition of Property, Plant & Equipment	3,426,123	2,488,263	-	3,503	5,917,889
Acquisition of Intangible Assets	110,000	-	-	21,468	131,468

Note 16 - Continued

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	-	-	-	-	-

Total Assets

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
As at December 31, 2012	$ 16,413,250	$ 4,229,798		$ 2,986,595	$ 23,629,643
As at December 31, 2011	13,429,873	3,305,717	-	1,068,250	17,803,840

17. Subsequent Events

On January 1, 2013, the Corporation completed an amalgamation between StorageVault Canada Inc. and its wholly owned subsidiary Southline Developments Ltd. and continued under the name StorageVault Canada Inc.

On March 27, 2013, the Corporation completed the acquisition from an arm's length vendor of a self-storage facility located in London, Ontario. The London self-storage facility has approximately 50,000 square feet of rentable self-storage space together with outdoor space for storage of vehicles. StorageVault intends to develop and operate a PUPS portable storage business in London in conjunction with the acquisition of the self-storage facility. The aggregate purchase price was $2,575,000. After standard customary adjustments and property transfer tax, the purchase price was comprised of cash deposits of $50,000 and a final cash payment of $2,525,000. The Acquisition Agreement was 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 StorageVault in its sole discretion; (ii) satisfactory financing; (iii) approval by the board of directors of StorageVault to be given or withheld in its sole discretion; and (iv) if applicable, approval of the shareholders of StorageVault.

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 2nd St S.W.
Calgary, AB T2P 0C1
Telephone 403-296-4470
Facsimile 403-296-4474

AUDITORS

MNP LLP
Royal Bank Building
Suite 900, 2010 – 11th 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 306-359-0133

REGISTRAR & TRANSFER AGENT

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

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