

StorageVault Canada Inc.
Consolidated Financial Statements

For the Years ended December 31, 2014 and 2013



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 21, 2015

"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 consolidated financial statements of StorageVault Canada Inc. and its subsidiary which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive 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 subsidiary as at December 31, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

April 21, 2015
Regina, Saskatchewan

MNP LLP
Chartered Accountants

StorageVault Canada Inc.
Consolidated Statements of Financial Position
As at December 31

	2014	2013
Assets		
Current		
Cash and short term deposits (Note 4)	\$ 454,468	\$ 217,942
Short term investments	106,710	102,937
Accounts receivable	181,185	142,519
Inventory	18,873	18,624
Deposits	217,436	32,376
Other current assets	87,779	110,139
	\$ 1,066,451	\$ 624,537
Long term investments	1,394,759	1,513,395
Property, plant and equipment (Note 5)	24,535,168	21,966,582
Intangible assets (Note 6)	6,400	8,800
Goodwill (Note 6)	1,601,414	1,601,414
	\$ 28,604,192	\$ 25,714,728
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 284,663	\$ 371,694
Unearned revenue	82,956	96,759
Current portion of long term debt (Note 7)	1,655,266	1,043,962
Preferred shares (Notes 8, 16)	4,470,205	-
	6,493,090	1,512,415
Long term debt (Note 7)	18,879,519	16,458,603
Preferred shares (Note 8)	-	4,360,175
	25,372,609	22,331,193
Shareholders' Equity		
Share capital (Note 9)	7,421,324	6,444,600
Contributed surplus (Note 9)	573,408	470,208
Deficit	(4,763,149)	(3,531,273)
	3,231,583	3,383,535
	\$ 28,604,192	\$ 25,714,728

Commitment and Contingencies (Note 15)
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 consolidated financial statements

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

	2014	2013
Common Share Capital		
Balance, beginning of the period	\$ 6,444,600	\$ 6,448,175
Common shares issued, net of issuance costs (Note 9)	976,724	-
Common shares purchased and cancelled	-	(3,575)
Balance, end of the period	7,421,324	6,444,600
Contributed Surplus		
Balance, beginning of the period	\$ 470,208	\$ 470,208
Stock based compensation (Note 9)	103,200	-
Balance, end of the period	573,408	470,208
Deficit		
Balance, beginning of the period	\$ (3,531,273)	\$ (2,741,074)
Net loss	(1,231,876)	(788,724)
Charges for Normal Course Issuer Bid	-	(1,475)
Balance, end of the period	(4,763,149)	(3,531,273)

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

StorageVault Canada Inc.**Consolidated Statements of Income (Loss) & Comprehensive Income (Loss)**

For the Years Ended December 31

	2014	2013
Revenue		
Storage and related services	\$ 5,236,220	\$ 4,873,878
Interest	22,587	21,145
Other	2,125	1,136
	<u>5,260,932</u>	<u>4,896,159</u>
Expenses		
Property operating costs	2,755,705	2,394,556
Selling, general and administrative	924,817	720,162
Stock based compensation (Note 9)	103,200	-
Depreciation and Amortization (Notes 6 & 7)	1,544,908	1,397,472
Interest	1,164,178	1,172,693
	<u>6,492,808</u>	<u>5,684,883</u>
Net income (loss) and Comprehensive income (loss)	<u>\$ (1,231,876)</u>	<u>\$ (788,724)</u>
Net income / (loss) per common share		
Basic	\$ (0.034)	\$ (0.024)
Diluted	\$ (0.034)	\$ (0.024)
Weighted average number of common shares outstanding		
Basic	36,177,629	33,360,881
Diluted	36,177,629	33,360,881

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

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

	2014	2013
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	\$ (1,231,876)	\$ (788,724)
Adjustment for non-cash items:		
Depreciation and amortization	1,544,908	1,397,472
Amortization of deferred financing costs	75,999	78,141
Amortization of bond premiums	12,863	14,914
Stock based compensation (Note 9)	103,200	-
Dividend classified as interest (Note 8)	110,030	107,322
	615,124	809,125
Net change in non-cash working capital balances		
Accounts receivable	(38,666)	(30,344)
Inventory	(249)	(3,332)
Deposits	(185,060)	(18,711)
Other current assets	22,360	(5,598)
Accounts payable and accrued liabilities	(87,031)	(44,450)
Unearned revenue	(13,803)	35,293
	312,675	741,983
Financing activities		
Common shares issued, net of issuance costs (Note 9)	976,724	(5,050)
Advances from long term debt	10,421,216	6,529,483
Repayment of long term debt	(7,445,235)	(3,726,067)
Debt issuance costs	(19,760)	(100,864)
	3,932,945	2,697,502
Investing activities		
Maturity of short term investments	102,000	133,000
Acquisition of Airport Road Self Storage	-	(2,609,805)
Additions to property, plant and equipment (Note 5)	(4,159,005)	(981,326)
Additions to intangible assets (Note 6)	(1,339)	(365)
Proceeds on disposal of property, plant and equipment	49,250	3,180
	(4,009,094)	(3,455,316)
Increase in cash and short term deposits	236,526	(15,831)
Cash and short term deposits balance, beginning of period	217,942	233,773
Cash and short term deposits balance, end of period	454,468	217,942
Supplementary cash flow information:		
Cash paid during the period for:		
Interest	1,005,105	1,029,157
Income taxes	-	-

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

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

1. Description of Business

The consolidated financial statements of StorageVault Canada Inc. and its subsidiary (the "Corporation") as at and for the year ended December 31, 2014 were authorized for issuance by the Board of Directors of the Corporation on April 21, 2015. 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 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, 2014, including 2013 comparative periods.

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.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

3. Accounting policies

Basis of Consolidation

The consolidated financial statements include the accounts of StorageVault Canada Inc. and the consolidated entity 1712066 Alberta Ltd., both of which are headquartered in Regina, SK. The financial statements for the consolidated 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.

Consolidated Entity

StorageVault Canada Inc. established 1712066 Alberta Ltd. ("1712066") 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 1712066. An entity is consolidated if, based on an evaluation of the substance of its relationship with StorageVault Canada Inc. it is determined that StorageVault Canada Inc. has rights, either directly through ownership or indirectly through contractual arrangements, to direct the relevant activities of the other entity. 1712066 was established under terms that impose strict limitations on the decision making powers of its management and that result in StorageVault Canada Inc. receiving the majority of the benefits related to its operations and net assets, being exposed to the majority of the risks incident to its activities, and retaining the majority of the residual or ownership risks related to its assets.

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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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. Acquisition costs are recognized in profit or loss as incurred.

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 Statements 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 cash-generating unit ("CGU") 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 CGU 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 CGU is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 3 - Continued

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 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.

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 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 require 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 a subsidiary or other entity requiring consolidation.
- 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.

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 Statements 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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 3 - Continued

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.

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 depreciation 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 Statements 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 depreciated to its residual value using the appropriate depreciation rate set forth by management. Depreciation 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:

Land, Yards, Buildings & Improvements -	Buildings	4%
	Leasehold improvements	20%
	Fences and parking lots	8%
	Land is not depreciated	
Storage Containers –	Storage containers	30%
Vehicles -	Vehicles	30% to 40%
	Truck decks and cranes	20%
Office and Computer Equipment -	Furniture and equipment	20%
	Computer equipment	45%

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 Statements of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the depreciation 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 Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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. Indicators of impairment may include, but are not limited to, significant changes in technology, markets, economic or legal environments, significant changes in interest rates or evidence from internal reports that the economic performance of an asset is, or will be, worse than expected. Impairment losses on goodwill are not reversed. Goodwill is allocated to CGU's for the purpose of impairment testing. The allocation is made to those CGU's or groups of CGU's 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; Tenant 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. Assets held under a finance lease 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 Statements 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 Statements 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 Statements 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 Statements of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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. The recoverable amount is defined as the higher of fair value less costs of disposal or the present value of future cash flows expected to be derived from the asset. 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 Statements 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 income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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 loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss 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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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 Statements 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.

Financial assets at FVTPL

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 Statements of Income (Loss) and Comprehensive Income (Loss).

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

Loans and receivables

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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

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 Statements of Income (Loss) and Comprehensive Income (Loss).

The Corporation's financial liabilities at FVTPL consists of preferred shares.

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, and long term debt.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 3 - Continued

Adopted and Future Accounting Policies

On January 1, 2014, the Corporation adopted the following new accounting standards that were previously issued by the International Accounting Standards Board (the "IASB").

IFRS 7: Financial instruments: disclosures and IAS 32: Financial instruments: presentation

Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. This amendment had no material impact on the consolidated financial statements.

IAS 36: Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments only affect disclosure and have no material impact on the consolidated financial statements.

IFRIC 21: Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. The main features of IFRIC 21 are that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by legislation; and that the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. Adoption of this IFRS standard did not result in adjustments to the Corporation's consolidated financial statements

New or amended applicable accounting standards that have been previously issued by the IASB but are not yet effective, and have not been applied by the Corporation, are as follows:

IFRS 8: Operating segments

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 3 - Continued

IFRS 9: Financial Instruments: Classification and Measurement (“IFRS 9”)

IFRS 9 was first issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: Recognition and measurement*. The standard requires the classification of financial assets into two measurement categories based on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity’s “own credit risk” is now recognized in other comprehensive income instead of in profit or loss. A new general hedge accounting standard is included in IFRS 9 which permits additional hedging strategies used for risk management to qualify for hedge accounting. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*. In July 2014, the IASB issued the final version of IFRS 9 as a complete standard. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of this new standard.

IFRS 15: Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued a new IFRS on the recognition of revenue from contracts with customers. IFRS 15 specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

- Identify the contract(s) with the customer.
- Identify the performance obligation(s) in the contract.
- Determine the transaction price.
- Allocate the transaction price to each performance obligation in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 1: Presentation of Financial Statements (“IAS 1”)

In December 2014, the IASB issued amendments to IAS 1 to improve the effectiveness of presentation and disclosure in financial reports with the objective of reducing immaterial note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Corporation is reviewing the standard to determine the potential impact, if any.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 3 - Continued

IAS 24: Related Party Disclosures (“IAS 24”)

As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The extent of the impact of adoption of the standard has not yet been determined.

4. Cash and Short Term Deposits

Cash represents balances on deposit at a Canadian Chartered Bank. These balances earn interest at Bank Prime less 2.0%. Term deposits, when used, are short term, highly liquid deposits with an original maturity of 3 months or less.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

5. Property, Plant and Equipment

	Land, Yards, Buildings & Improvements	Storage Containers	Vehicles	Office & Computer Equipment	Total
COST					
December 31, 2012	19,363,199	2,554,915	1,348,394	182,480	23,448,988
Additions	80,118	688,429	193,228	19,553	981,328
Disposals	-	(3,180)	-	-	(3,180)
Business acquisitions	2,456,805	-	10,193	-	2,466,998
December 31, 2013	21,900,122	3,240,164	1,551,815	202,033	26,894,134
Additions	2,539,418	722,266	864,038	33,283	4,159,005
Disposals	-	(8,000)	(41,250)	-	(49,250)
December 31, 2014	24,439,540	3,954,430	2,374,603	235,316	31,003,889
ACCUMULATED DEPRECIATION					
December 31, 2012	1,603,114	1,265,393	627,623	93,237	3,589,367
Depreciation	585,123	489,253	235,862	27,947	1,338,185
December 31, 2013	2,188,237	1,754,646	863,485	121,184	4,927,552
Depreciation	633,646	552,450	327,745	27,328	1,541,169
December 31, 2014	2,821,883	2,307,096	1,191,230	148,512	6,468,721
NET BOOK VALUE					
December 31, 2013	19,711,885	1,485,518	688,330	80,849	21,966,582
December 31, 2014	21,617,657	1,647,334	1,183,373	86,804	24,535,168

Included in Land, Yards, Buildings & Improvements is Land at a value of \$6,450,893 (December 31, 2013 - \$5,114,519).

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

6. Intangible Assets

	<u>Goodwill</u>	<u>Other Intangible Assets</u>			<u>Total</u>
		<u>Franchise Agreements</u>	<u>Tenant Relationships</u>	<u>Website Development</u>	
COST					
December 31, 2012	1,458,607	20,000	606,000	21,468	647,468
Capital expenditures	-	-	-	365	365
Business acquisitions	142,807	-	-	-	-
December 31, 2013	1,601,414	20,000	606,000	21,833	647,833
Capital expenditures	-	-	-	1,339	1,339
December 31, 2014	1,601,414	20,000	606,000	23,172	649,172
ACCUMULATED AMORTIZATION					
December 31, 2012	-	8,800	559,333	11,613	579,746
Amortization	-	2,400	46,667	10,220	59,287
December 31, 2013	-	11,200	606,000	21,833	639,033
Amortization	-	2,400	-	1,339	3,739
December 31, 2014	-	13,600	606,000	23,172	642,772
NET BOOK VALUE					
December 31, 2013	1,601,414	8,800	-	-	8,800
December 31, 2014	1,601,414	6,400	-	-	6,400

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

7. Long Term Debt

	December 31, 2014			December 31, 2013		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Term Debt</u>						
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	1,896,531	Prime plus 1.00% or BA plus 2.75%	4.00%	1,029,190
	<i>Maturity: November 2017</i>			<i>Maturity: November 2017</i>		
<u>Mortgages</u>						
Fixed Rate	5.00%	5.00%	1,272,496	5.00% - 6.10%	5.80%	5,520,992
	<i>Maturity: November 2015</i>			<i>Maturities: March 2014 - November 2015</i>		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	16,244,988	Prime plus 1.00% or BA plus 2.75%	4.00%	7,810,197
	<i>Maturity: November 2017</i>			<i>Maturity: November 2017</i>		
Variable Rate			-	BDC Floating Base plus 0.00% - 0.15%	5.10%	1,960,727
				<i>Maturities: June 2030 - May 2038</i>		
<u>Other</u>						
Defeasance Obligation	1.09%	1.09%	1,557,200	1.09%	1.09%	1,674,127
	<i>Maturity: August 2016</i>			<i>Maturity: August 2016</i>		
Deferred financing costs net of accretion of \$161,125 (December 31, 2013 - \$85,126)			(436,430)			(492,668)
			20,534,785			17,502,565
Less current portion			1,655,266			1,043,962
			18,879,519			16,458,603

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 7 - Continued

The bank Prime rate at December 31, 2014 was 3.00% (December 31, 2013 - 3.00%).

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 recorded as Short Term Investments and Long Term Investments.

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, an entity whose financial statements are consolidated with those of StorageVault Canada Inc.

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

1. Facility 1: authorized up to \$20,000,000 for the acquisition and / or refinancing of self-storage and PUPS portable storage facilities. As at December 31, 2014, the Corporation had assets with a total book value of \$16,995,965 (December 31, 2013 - \$8,225,611) pledged to this segment. As at December 31, 2014, the Corporation had drawn \$16,244,988 (December 31, 2013 - \$7,810,197) on this segment and, based on a percentage of the appraised value of the assets pledged to date, \$3,755,012 remains available to be drawn.
 2. Facility 2: authorized up to \$2,000,000 for the acquisition of PUPS portable storage containers. As at December 31, 2014, the Corporation had drawn \$952,023 (December 31, 2013 - \$528,469) on this segment.
 3. Facility 3: authorized up to \$1,000,000 for the acquisition of other capital assets used in connection with the Corporation's activities. As at December 31, 2014, the Corporation had drawn \$944,508 (December 31, 2013 - \$500,719) on this segment.
-

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 7 - Continued

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. For purposes of the tangible net worth ratio, the lender treats all Preferred Shares outstanding as equity because obligations under the preferred shares are subordinated and postponed in favor of the lender (See Note 8). As of December 31, 2014, the Corporation is in compliance with all covenants.

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.

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

2015	1,655,266
2016	2,977,858
2017	1,540,770
2018	1,448,028
2019	1,374,729

8. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2012	4,252,853	\$ 4,252,853
Dividends paid	107,322	107,322
Balance, December 31, 2013	<u>4,360,175</u>	<u>\$ 4,360,175</u>
Dividends paid	110,030	110,030
Balance, December 31, 2014	<u><u>4,470,205</u></u>	<u><u>\$ 4,470,205</u></u>

Two investment funds managed by PFM Capital Inc. of Regina, SK (the "Investor") 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 drawn on the closing date of March 17, 2010 and the second tranche drawn on October 15, 2010.

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

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 8 - Continued

The preferred shares are convertible at the Investor'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 Investor after the third anniversary of each respective drawdown date at the face value of the preferred shares. 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 Investor agreed to amend the features such that the shares were convertible for a period of four years and are retractable by the Investor after the fourth anniversary of each respective drawdown date and were redeemable by the Corporation any time after the fifth anniversary of each respective drawdown date. Effective December 30, 2013, the shareholders and the Investor agreed to again amend the features such that the shares are convertible for a period of five years and are retractable by the Investor after the fifth anniversary of each respective drawdown date and were redeemable by the Corporation any time after the sixth anniversary of each respective drawdown date.

In addition, the preferred shares contain a price protection feature in the form of a down-round provision (the "Down-Round Provision"), which provides for the downward adjustment to the conversion exercise price in the event the Corporation completes a financing, or financings, of equity securities at a price lower than \$0.30 per equity security, provided that the lower limit of such downward adjustment shall be no lower than \$0.19. As a consequence of the Down-Round Provision, the conversion option is considered an embedded derivative liability, as the number of common shares that could be issued on conversion is variable.

The preferred shares contain two components, being the debt component and an embedded derivative liability component arising from the Investor's right to convert. The Corporation has elected to treat these two components as one financial instrument measured at fair value through profit and loss. The preferred shares are therefore presented as a liability at fair value in the consolidated financial statements. As the preferred shares are entirely held by a party related to the Corporation, an option pricing model was not considered appropriate for valuing the preferred shares and conversion option. Rather, the transaction price was considered by management to be a more reliable estimate of fair value. The carrying value of the preferred share liability at December 31, 2014, and December 31, 2013 represents the estimated fair value of the outstanding preferred shares, including the conversion, retraction, redemption and Down-Round Provision features.

Transaction costs attributable to the preferred shares in the amount of \$36,151 were charged when incurred to profit or loss.

The preferred shares are subject to subordination agreements wherein any obligations arising under the preferred shares are subordinated and postponed to and in favor of the financial institution that provides the credit facilities as outlined in Note 7. Pursuant to the subordination agreements, the preferred shareholders shall not, without prior written consent, exercise any right or recourse with respect to the preferred shares, including any demand for payment or collection.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

9. Share Capital

Authorized: Unlimited number of common, voting shares of no par value

Authorized: Unlimited number of preferred non-voting shares issuable in series at an issuance price of \$1 per share

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2012	33,374,211	\$ 6,448,175
Acquired and cancelled-normal course issuer bid	(18,500)	(3,575)
Balance, December 31, 2013	<u>33,355,711</u>	<u>\$ 6,444,600</u>
Issued for cash	3,333,333	1,000,000
Share issuance costs	-	(23,276)
Balance, December 31, 2014	<u><u>36,689,044</u></u>	<u><u>\$ 7,421,324</u></u>

On February 25, 2014, the Corporation completed a non-brokered private placement (the "Offering") of a combination of half warrant units (each, a "Half Warrant Unit") and full warrant units (each, a "Full Warrant Unit") at a price of \$0.30 per either a Half Warrant Unit or a Full Warrant Unit for aggregate gross proceeds of \$1,000,000 (3,333,333 units). A total of \$850,000 of Full Warrant Units (2,833,334 units) and \$150,000 of Half Warrant Units (499,999 units) were issued. Each Half Warrant Unit is comprised of one common share of the Corporation and one-half (1/2) of one common share purchase warrant with each whole purchase warrant being exercisable for four years from the closing of the Offering into one common share at an exercise price of \$0.35 per share. Each Full Warrant Unit is comprised of one common share and one full common share purchase warrant with each purchase warrant being exercisable for four years from the closing of the Offering into one common share at an exercise price of \$0.37 per share.

Contributed surplus:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Opening balance	470,208	470,208
Stock based compensation	<u>103,200</u>	<u>-</u>
Ending balance	<u><u>573,408</u></u>	<u><u>470,208</u></u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 9 - Continued

Stock Options and Warrants

The Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants of the Corporation, non-transferable options to purchase common shares provided that i) the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares; ii) the options are exercisable for a period of up to 10 years from the date of grant; iii) 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 iv) 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 and exercisable as at:

	December 31, 2014		December 31, 2013	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Opening	3,200,000	\$0.22	3,200,000	\$0.22
Granted	400,000	\$0.33	-	-
Closing and Exercisable	3,600,000	\$0.23	3,200,000	\$0.22

On June 20, 2014, the Corporation granted 400,000 stock options to directors and officers, which vested immediately, have an exercise price of \$0.33 per share, and will expire on June 20, 2024. The stock options have no further vesting requirements. A value of \$103,200 was recorded to the Statement of Income (Loss) and Comprehensive Income (Loss) related to these options. The fair value of stock options was estimated at the date of the grant using the Black-Scholes Option Pricing Model using the following significant assumptions: risk-free interest rate – 1.79%; expected volatility – 74%; expected life in years – 10; and dividend yield – 0.00%. The resultant award value was \$0.258 per option.

Stock options outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	Outstanding December 31, 2014	Outstanding December 31, 2013
\$0.20	Nov 5, 2004	Nov 5, 2017	1,000,000	1,000,000
\$0.23	May 6, 2009	May 6, 2019	2,200,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	400,000	nil

Warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2014	Outstanding December 31, 2013
\$0.35	Feb 25, 2018	2,833,334	nil
\$0.37	Feb 25, 2018	249,999	nil

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

10. Income Taxes

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

	<u>2014</u>	<u>2013</u>
Loss before taxes	(1,231,876)	(788,724)
Combined federal and provincial statutory income tax rate	<u>27.00%</u>	<u>27.00%</u>
Income tax recovery calculated at statutory rate	(332,607)	(212,955)
Non-deductible items	59,048	21,905
Share issuance costs	(6,284)	-
Change in estimates	(1,513)	-
Change in deferred tax assets not realized	<u>281,356</u>	<u>191,050</u>
Income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2014</u>	<u>2013</u>
Deferred tax assets (liabilities):		
Property, plant and equipment	112,841	76,105
Goodwill	(117,897)	(102,362)
Intangible assets	81,655	90,580
Deferred financing costs and other	83,856	101,617
Long term debt	(89,202)	(133,021)
Charitable donation carryforward	270	270
Non-capital loss carry forwards	<u>1,045,955</u>	<u>802,933</u>
Total deferred income tax assets	<u>1,117,478</u>	<u>836,122</u>
Less: deferred tax assets not realized	<u>(1,117,478)</u>	<u>(836,122)</u>
Deferred tax liability, net of deferred tax assets not realized	<u>\$ -</u>	<u>\$ -</u>

The Corporation has non-capital losses at December 31, 2014 of \$3,873,908 that expire as follows:

Non capital loss carry forwards available until:	2027	63,854
	2028	296,264
	2029	272,049
	2030	512,169
	2031	285,345
	2032	678,561
	2033	688,772
	2034	<u>1,076,894</u>
		<u>\$ 3,873,908</u>

StorageVault Canada Inc.**Notes to the Consolidated Financial Statements**For the Years Ended December 31, 2014 and 2013

11. 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 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, 2014</u>		<u>As at December 31, 2013</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	454,468	454,468	217,942	217,942
Loans and Receivables				
Accounts receivable	181,185	181,185	142,519	142,519
Held to Maturity				
Short term investments	106,710	106,710	102,937	102,937
Long term investments	1,394,759	1,394,759	1,513,395	1,513,395
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	284,663	284,663	371,694	371,694
Long term debt	20,534,785	21,150,000	17,502,565	19,694,000
Fair Value through Profit or Loss				
Preferred shares	4,470,205	4,470,205	4,360,175	4,360,175

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 11 - 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	\$ 454,468	-	-	\$ 454,468
Liabilities				
Preferred shares (Note 8)	-	-	\$4,470,205	\$4,470,205

Preferred shares are the only Level 3 instrument recorded as the preferred share's fair value amount payable is not based on observable inputs. As the preferred shares are entirely held by a party related to the Corporation, an option pricing model was not considered appropriate for valuing the preferred shares and conversion option. Rather, the transaction price was considered by management to be a more reliable estimate of fair value.

The following table provides a summary of the changes in the fair value of Level 3 financial liabilities:

	<u>Preferred Shares</u>
Balance December 31, 2012	\$4,252,853
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 8)	<u>\$ 107,322</u>
Balance December 31, 2013	\$4,360,175
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 8)	<u>\$ 110,030</u>
Balance December 31, 2014	<u>\$4,470,205</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 11 - Continued

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 its mortgages where possible, 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.

There is interest rate risk associated with variable rate mortgages as interest expense is impacted by changes in the prime rate. The impact on net loss if interest rates on variable rate debt had been 1% higher or lower for the year ended December 31, 2014 would be approximately \$161,200 (December 31, 2013 - \$99,000).

- 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, 2014</u>	<u>December 31, 2013</u>
Accounts receivable under 30 days aged	\$175,904	\$131,206
Accounts receivable over 30 days aged	59,938	38,607
Allowance for doubtful accounts	<u>(54,657)</u>	<u>(27,294)</u>
	\$181,185	\$142,519

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 11 - Continued

Movement in the Corporation's allowance for doubtful accounts is as follows:

Balance December 31, 2012	\$18,725
Charges during the year	23,556
Receivables written off during the year as uncollectible	<u>(14,987)</u>
Balance December 31, 2013	\$27,294
Charges during the year	86,513
Receivables written off during the year as uncollectible	<u>(59,150)</u>
Balance December 31, 2014	<u>\$54,657</u>

The creation and release of the allowance for doubtful accounts has been included in Property Operating Costs in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

- 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. Maturities of long term financial liabilities are summarized in Note 7 and maturities of the Preferred Share financial liabilities are summarized in Note 8.
- 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 Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

12. Related Party Transactions

During the year ended December 31, 2014, the Corporation paid total management fees of \$280,927 (December 31, 2013 - \$255,099) 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 in the year ended December 31, 2014, for performance fee relating to the prior fiscal year was \$99,131 (December 31, 2013 - \$78,598).

During the year ended December 31, 2014, the Corporation reimbursed travel and related expenses of \$52,724 (December 31, 2013 - \$58,524) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2014, the Corporation paid loan guarantee fees of \$8,712 (December 31, 2013 - \$8,712) to Alan A. Simpson and loan guarantee fees of \$8,712 (December 31, 2013 - \$8,712) 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 annual 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 for PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the year ended December 31, 2014, the Corporation paid \$105,071 (December 31, 2013 - \$86,305) for royalties and \$1,914,016 (December 31, 2013 - \$840,663) for storage containers and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2014 was \$61,262 (December 31, 2013 - \$111,920) payable to CPFI and \$3,299 (December 31, 2013 - \$53,823) payable to Detteson.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 12 - Continued

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly, and include directors. The remuneration of key management personnel for employment services rendered are as follows:

	<u>Year ended</u> <u>December 31, 2014</u>	<u>Year ended</u> <u>December 31, 2013</u>
Short term benefits including wages, salaries, management fees, bonuses, directors fees and benefits	\$305,980	\$279,752
Post-employment benefits	-	-
Stock based compensation	<u>103,200</u>	<u>-</u>
	<u>\$409,180</u>	<u>\$279,752</u>

13. 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, 2014 is 54.1% (December 31, 2013 – 51.6%).

Except for the debt covenants described in Note 7, the Corporation is not subject to any externally imposed capital requirements.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

14. 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 535 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 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, 2014

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 2,824,553	\$ 2,411,667	\$ -	\$ 2,125	\$ 5,238,345
Operating expenses	1,298,776	1,456,929	-	924,817	3,680,522
Interest revenue	-	-	-	22,587	22,587
Interest expense	634,906	193,789	-	335,483	1,164,178
Stock based compensation	-	-	-	103,200	103,200
Depreciation & amortization	578,473	958,049	-	8,386	1,544,908
Net income/(loss)	<u>312,398</u>	<u>(197,100)</u>	<u>-</u>	<u>(1,347,174)</u>	<u>(1,231,876)</u>
Additions:					
Property, plant & equip.	36,845	4,121,950	-	210	4,159,005
Intangible Assets	-	-	-	1,339	1,339

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 14 - Continued

For the Year Ended December 31, 2013

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 2,727,447	\$ 2,146,431	\$ -	\$ 1,136	\$ 4,875,014
Operating expenses	1,146,607	1,247,949	-	720,162	3,114,718
Interest revenue	-	-	-	21,145	21,145
Interest expense	693,419	113,522	-	365,752	1,172,693
Stock based compensation	-	-	-	-	-
Depreciation & amortization	606,941	762,450	-	28,081	1,397,472
Net income/(loss)	<u>280,480</u>	<u>22,510</u>	<u>-</u>	<u>(1,091,714)</u>	<u>(788,724)</u>
Additions:					
Property, plant & equip.	1,636,402	1,799,212	-	12,712	3,448,326
Intangible Assets	142,807	-	-	365	143,172

Total Assets

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
As at December 31, 2014	\$ 17,958,528	\$ 8,401,362	\$ -	\$ 2,244,302	\$ 28,604,192
As at December 31, 2013	\$ 18,483,366	\$ 5,268,357	\$ -	\$ 1,963,005	\$ 25,714,728

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

15. Commitments and Contingencies

Operating Lease Commitment

The Corporation leases the land in Winnipeg, MB on which its Kenaston Self Storage buildings are situated. The lease does not contain any contingent rent clauses. It does not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, this lease is considered an operating lease as the risk and reward of ownership of the land remains with the landlord. The lease expires in 2027 with up to 20 years of renewals at the option of the Corporation after that time.

The future minimum lease payments, excluding incidental costs for which the Corporation is responsible, are as follows:

Less than one year	\$ 62,016
Between one and five years	234,419
More than five years	485,508
	\$ 781,943

During the year ended December 31, 2014, the Corporation recognized as an expense \$59,535, (December 31, 2013 - \$59,535) in operating lease payments.

Contingency

In March, 2015, the Corporation became subject to a legal proceeding arising from the construction of a building in Calgary, AB. The amount of claim is \$50,000. Management is of the opinion, based on information presently available, that the claim against the Corporation is without merit and that it is unlikely that any liability would be material in relation to the Corporation's consolidated financial statements. The Corporation has no legal contingency provisions at either December 31, 2014 or December 31, 2013.

16. Subsequent Events

On December 2, 2014 the Corporation entered into a purchase agreement (the "Purchase Agreement"), with Access Self Storage Inc. ("Access") and Cubeit Portable Storage Canada Inc. ("Cubeit"), collectively referred to as (the "Vendors"), pursuant to which the Corporation has agreed to purchase all of the portable storage assets and business of Cubeit and certain of the self-storage assets and business of Access (the "Purchased Assets") for an aggregate purchase price of \$51,275,000, subject to customary adjustments (the "Proposed Acquisition"). The Vendors are not related parties to the Corporation.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 16 - Continued

Pursuant to the terms of the Purchase Agreement, the Proposed Acquisition will occur in two tranches. Upon closing the first tranche of the Purchased Assets (the "First Tranche"), the Corporation will acquire four self-storage locations with approximately 1,500 rental units comprising approximately 133,000 square feet of rentable self-storage space and the entire Cubeit portable storage business and the rights to operate such business in Canada. The Cubeit business currently operates out of 8 locations and includes 1,254 portable storage containers. Upon closing the second tranche of the Purchased Assets (the "Second Tranche"), the Corporation will acquire five self-storage locations with approximately 2,500 rental units comprising approximately 250,000 square feet of rentable self-storage space.

The purchase price for the First Tranche is \$25,575,000, subject to adjustments, including dollar for dollar adjustments if the appraised value of the Purchased Assets is more or less than the purchase price. For the First Tranche, the sum of \$8,951,250 shall be paid by the issuance of 23,555,921 common shares of the Corporation ("Common Shares") at a deemed price of \$0.38 per Common Share. Subject to availability of financing on commercially reasonable terms, the balance of the purchase price for the First Tranche will be paid in cash, or by the assumption of mortgages on certain of the Purchased Assets ("Mortgage Assumptions") or by Vendor take-back loans on certain of the Purchased Assets ("Vendor Take-Back Loans"), or, subject to certain Common Share ownership restrictions for the Vendors to ensure that the Proposed Acquisition does not result in a reverse takeover (the "Share Ownership Restrictions"), additional Common Shares issued at a deemed price of \$0.38 per Common Share, or by a combination of any or all of the above. Closing of the First Tranche is expected to occur on or before April 30, 2015 (the "First Closing Date").

The purchase price for the Second Tranche is \$25,700,000, subject to adjustments, including dollar for dollar adjustments if the appraised value of the Purchased Assets is more or less than the purchase price. For the Second Tranche, the sum of \$8,995,000 shall be paid by the issuance of 23,671,053 Common Shares at a deemed price of \$0.38 per Common Share subject to the Share Ownership Restrictions. If the Share Ownership Restrictions will be exceeded, the number of issued Common Shares will be reduced accordingly, and the corresponding Second Tranche Common Share shortfall in the purchase price, as well as the remainder of the purchase price for the Second Tranche, will be, subject to availability of financing on commercially reasonable terms, paid in cash, or by Mortgage Assumptions or by Vendor Take-Back Loans. In addition, subject to the ability to issue Common Shares under the Share Ownership Restrictions, a portion of the balance of the purchase price for the Second Tranche may be satisfied by the issuance of additional Common Shares issued at a deemed price of \$0.38 per Common Share. Closing of the Second Tranche is expected to occur no later than October 1, 2015 but may occur on an earlier date upon the agreement of the parties (the "Second Closing Date").

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2014 and 2013

Note 16 - Continued

The obligations of the Corporation and the Vendors to complete the Proposed Acquisition is subject to initial due diligence conditions and board of director approval of the Proposed Acquisition which must be satisfied on or before April 24, 2015. The closing of the Proposed Acquisition is also subject to the satisfaction of other customary closing conditions precedent prior to the First Closing Date and Second Closing Date, as applicable, as set forth in the Purchase Agreement, including, but not limited to: TSXV acceptance, satisfactory due diligence, creditor approval, shareholder consent, completion and approval of a five-year business plan detailing the Vendors' and the Corporation's objectives and goals for the Corporation for the next five years (the "Five-Year Business Plan"), and the approval of the Second Tranche by an acquisition committee made up of individuals the majority of which are unrelated to the Vendors (the "Acquisition Committee").

Pursuant to the Purchase Agreement, the Vendors and the Corporation have agreed that the Vendors shall on or before the First Closing date, have received an assignment from Detteson Management Inc. of the existing management agreement entered into between the Corporation and Detteson Management Inc. dated May 1, 2011, as amended, and as required to be further amended as a result of the Proposed Acquisition. In addition, it is a condition that the Vendors shall on or before the First Closing Date have completed the purchase of all of the issued and outstanding shares in the capital of Canadian PUPS Franchises Inc., which is the master franchisor of the Corporation's PUPS portable storage business. Also, it is a condition that Saskworks Venture Fund Inc., Apex Investment Limited Partnership, Alan Simpson, Glenn Fradette and Detteson Management Inc., major shareholders of the Corporation, shall on or before the First Closing date, have entered into a right of first negotiation agreement providing that under certain conditions the sale of their Common Shares of the Corporation shall include a right of first negotiation with the Vendors in respect of any proposed sale of such Common Shares.

The Five-Year Business Plan discussed above has been established with the goal of enhancing the possibility that future acquisitions ("Future Access Acquisitions") by the Corporation of assets owned by Access (other than the First Tranche or the Second Tranche) may occur in order to grow the business and operations of the Corporation. Due to the related party nature of such Future Access Acquisitions and because of the reconstitution of the Corporation board on the First Closing Date to include a majority of Access nominee directors, the Corporation has established the Acquisition Committee and the Acquisition Committee Mandate. The purpose of the Acquisition Committee and the Acquisition Committee Mandate is to ensure that Future Access Acquisitions are free from any related party influences. In general, the intent of the Acquisition Committee Mandate is to require Acquisition Committee approval before the Corporation is able to proceed with a Future Access Acquisition. In addition, it is a condition to the Proposed Acquisition that the Acquisition Committee must approve the purchase of the Second Tranche. Alan Simpson, the current CEO of the Corporation, shall chair the Acquisition Committee.

Completion of the Proposed Acquisition is subject to a number of conditions as disclosed above and as set forth in the Purchase Agreement, including, but not limited to, TSXV Acceptance, satisfactory due diligence, board of director approval, creditor approval, shareholder consent and Acquisition Committee Approval. There can be no assurance that the Proposed Acquisition will be completed as proposed or at all.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2014 and 2013

Note 16 - Continued

On March 16, 2015 the Corporation and its preferred shareholders amended the terms of the preferred shares whereby the preferred shares would be converted, redeemed or retracted depending upon the outcomes under the Purchase Agreement noted above.

In the event that the Second Tranche closes and the preferred shareholder provides appropriate notice, the preferred shares will be converted to common shares immediately prior to the closing of the Second Tranche. Should the preferred shareholder not provide appropriate notice, all conversion rights will be extinguished and the Corporation will redeem all preferred shares on or before October 1, 2016.

In the event that the Second Tranche does not close, the preferred shareholder shall have, at its option, until June 30, 2016 to provide further written notice to convert all preferred shares to common shares, with such conversion to be effective October 1, 2016. Should the preferred shareholder not provide such further written notice on or before June 30, 2016, all conversion rights will be extinguished on July 1, 2016 and the Corporation will redeem all preferred shares on October 1, 2016.

In the event that the Second Tranche closes, any preferred shareholder may, at its option and with appropriate notice, retract all (but not less than all) preferred shares with such retraction to occur on the closing date of the Second Tranche.

In the event that the Second Tranche does not close, any preferred shareholder may, at its option and with appropriate notice, retract all (but not less than all) preferred shares with such retraction to occur on the date that the Second Tranche is terminated. All other previously provided retraction rights are extinguished.

StorageVault Canada Inc.

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Regina, SK

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