

StorageVault Canada Inc.

(the "Corporation")

Form 51-102F1

Management's Discussion and Analysis

Year Ended December 31, 2012

This management's discussion and analysis (MD&A) should be read in conjunction with the Corporation's audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2012. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Corporation's results of operations and financial condition.

The Corporation's audited consolidated financial statements for the years ended December 31, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking information. All statements, other than statements of historical fact, included in this MD&A may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, forward-looking information included in this MD&A includes statements with respect to: the Corporation's outlook as to the market for self-storage, the economic recession, the availability of credit and the general outlook for the Corporation contained in the "Outlook" section of this MD&A; the expectation of cash flows discussed in the "Nature of Business" and "Liquidity and Capital Resources" sections; and expected inventory levels of PUPS units contained in the "Revenue from Income Producing Properties" section of this MD&A.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to:

- capital market conditions
- liquidity in the credit markets and/or changes in interest rates which may affect timing and availability of external financing on acceptable terms
- general business and economic uncertainties
- changes in the level of competition
- delay or failure to receive board or regulatory approvals
- changes in legislation including environmental legislation affecting the Corporation
- adverse weather conditions
- conclusions of economic evaluations, and
- lack of qualified, skilled labour or loss of key individuals.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

The forward-looking information in this MD&A should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this MD&A. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain necessary financing, satisfy conditions under previously announced acquisition agreements, or satisfy any requirements of the TSX Venture Exchange (the "TSXV") with respect to these acquisitions and any related private placement; the level of activity in the self-storage business and the economy generally; consumer interest in the Corporation's services and products; competition; and anticipated and unanticipated costs. The Corporation undertakes no obligation to publicly update or review any forward-looking information, except in accordance with applicable securities laws. Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations.

All amounts included in this MD&A are in Canadian dollars.

Additional information relating to StorageVault Canada Inc. can be found at www.sedar.com.

This MD&A is dated April 10, 2013 and is in respect of the period from January 1, 2012 to December 31, 2012. The discussion in the MD&A focuses on this period.

NON-IFRS FINANCIAL MEASURES

The Corporation uses non-IFRS financial measures to assess its operating performance. Securities regulators require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have a standardized meaning and may not be comparable to similar measures used by other companies. Such non-IFRS measures include:

- a) Funds from Operations (“FFO”) – FFO is defined as net income (loss) excluding gains or losses from the sale of depreciable real estate and extraordinary items, plus depreciation, amortization, stock based compensation expenses, and future income taxes; and after adjustments for equity accounted entities and non-controlling interests. FFO should not be viewed as an alternative to cash from operating activities, net income, or other measures calculated in accordance with IFRS. The Corporation believes that FFO can be a beneficial measure, when combined with primary IFRS measures, to assist in the evaluation of the Corporation’s ability to generate cash and evaluate its return on investments as it excludes the effects of real estate amortization and gains and losses from the sale of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance.
- b) Property Net Operating Income (“NOI”) – NOI is defined as rent from income producing properties less property operating costs. NOI does not include interest expense or income, depreciation and amortization, corporate administrative costs, stock based compensation costs or taxes. NOI assists management by assessing profitability from principal business activities without regard to the manner in which these activities are financed or amortized. “NOI Margin” is the NOI for a given time period, divided by the revenue from income producing properties for that same time period.

NATURE OF BUSINESS

Business Overview

The Corporation was incorporated on May 31, 2007. It is publicly traded on the TSXV under the symbol SVI. As at December 31, 2012 it owned and operated storage facilities in six Canadian cities:

- Trans Can Mini Stor (“Trans Can”) and PUPS – Portable Units for Portable Storage in Regina, SK
- Kenaston Self-Storage (“Kenaston”) and PUPS – Portable Units for Portable Storage in Winnipeg, MB
- PUPS – Portable Units for Portable Storage in Saskatoon, SK
- B&B Mini Storage (“B&B”) and PUPS – Portable Units for Portable Storage in Cambridge, ON
- Parksville Mini Storage (“Parksville”) and PUPS – Portable Units for Portable Storage in Parksville/Nanaimo, BC
- Space Place Self Storage (“Calgary Space Place”) and PUPS – Portable Units for Portable Storage in Calgary, AB

A new PUPS – Portable Units for Portable Storage (“PUPS”) operation launched in Calgary, AB in August 2012. A typical PUPS operation will take 24 to 36 months to reach maturity.

In addition to the above, the Corporation manages five self-storage locations and two PUPS – Portable Units for Portable Storage locations in Ontario on behalf of a third party owner.

The Corporation provides both “fixed” and “portable” self-storage. Fixed self-storage is sometimes referred to as mini-storage. Under this model, a customer rents a storage space in the operator’s premises to store personal or commercial possessions. Rental agreements are usually on a month-to-month basis. Tenants can vacate with as little as one month notice. The storage facility usually consists of one or more buildings, each partitioned into individual storage units with separate doors. Depending on the construction, storage units are accessed by drive-up to each unit, or through an interior hallway. Units can be climate controlled or simple cold storage. The tenant provides his or her own lock for the door, and is the only person with access to the unit when it is rented. Often, fixed storage facilities also provide uncovered, outdoor parking spaces for boats, cars and recreational vehicles.

Through its Canadian Master Franchise agreement with Canadian PUPS Franchises Inc., the Corporation also provides portable storage services. The PUPS –Portable Units for Portable Storage system uses galvanized steel storage containers ranging from 2.3 meters to 6 meters in length. This premium priced service delivers the storage unit to the customer, as opposed to the customer having to transport his or her possessions to a traditional fixed storage location. Once loaded, the PUPS container can stay at the customer’s location, or be transported to the Corporation’s compound for longer term storage. The PUPS model generates revenue through both the rental of the storage container and the fees to deliver the container to and from the customer’s location.

Management believes that the PUPS storage model is complementary to the fixed storage operations. It appeals to both residential and commercial customers that:

- would not normally use a traditional fixed storage facility because they haven’t the means to transport their possessions.
- are moving between locations and require temporary storage, but do not want to move their possessions to a fixed storage unit, only to move them again to their new location in a few days or weeks. The PUPS container allows them to pack and unpack only once.
- are moving between locations and do not want to pay the high costs of a moving company. This do-it-yourself customer appreciates the lower cost afforded by the PUPS model.
- are renovating an existing location. They need to remove their possessions from their building, but want to keep the possessions at their location for easy access. PUPS will place a container at their residence or business, and that container can stay there until the renovation is complete.

When paired with a traditional fixed storage facility, the PUPS model also offers benefits in cost savings and promotion:

- Often, fixed storage facilities have surplus land that is undeveloped, or utilized for low return outdoor parking spaces. Redeploying some of this land for PUPS storage significantly increases the revenue per square foot earned from that surplus land.
- Many of the overhead costs necessary to operate a PUPS facility, such as labor, telephone, and some occupancy costs, are already being covered by the existing fixed storage facility.
- The basic premise behind renting fixed or portable storage units is similar, so existing staff at a fixed storage facility can easily learn and integrate the PUPS systems into day-to-day operations.
- On-site staff has the ability to cross sell. Customers who may not be able to afford the premium price of a PUPS container can be offered a lower cost fixed storage unit. Or customers looking for fixed storage who were unaware of the existence of portable storage can be up-sold to a premium product.

As the network of PUPS locations grows, the Corporation can add intercity moves using PUPS containers to its range of services. Aimed at a do-it-yourself customer, the Corporation supplies a PUPS container in the customer's existing city. Once it is filled, it is moved via long-haul trucking to the customer's new city. This door-to-door service can provide the customer the option to move their possessions great distances at significant cost savings compared to traditional moving companies.

The Corporation's strategic objective is to own, acquire and operate self-storage facilities across Canada as well as develop a portable storage business to access an untapped market in the Canadian storage industry. The Corporation will focus on acquiring and operating self-storage facilities with proven cash flows, superior location in relationship to markets, and excess physical space to allow rapid deployment of portable storage operations. Financing for this growth is intended to come from a combination of cash from operations, mortgage financing, the assumption of debt, and the issuance of additional common shares or other securities.

Portfolio

As at December 31, 2012, the Corporation owned and operated the following fixed storage facilities and PUPS portable storage operations:

| | <u>Acquired</u> | <u>Units</u> | <u>Rentable Square Feet</u> |
|---|-------------------|--------------|-----------------------------|
| FIXED STORAGE | | | |
| Trans Can Mini Stor, Regina, SK | May 1, 2008 | 343 | 39,367 |
| Kenaston Self Storage, Winnipeg, MB | March 2, 2009 | 538 | 47,600 |
| B & B Mini Storage, Cambridge, ON | May 10, 2010 | 189 | 26,300 |
| Parksville Mini Storage, Parksville, BC | November 1, 2010 | 142 | 22,020 |
| Space Place Self Storage, Calgary, AB | May 1, 2012 | <u>448</u> | <u>34,234</u> |
| Total | | 1,660 | 169,521 |
| PORTABLE STORAGE | | | |
| Trans Can Mini Stor, Regina, SK | December 31, 2008 | 371 | 35,336 |
| Kenaston Self Storage, Winnipeg, MB | | 221 | 20,720 |
| Saskatoon, SK | | 223 | 21,763 |
| B & B Mini Storage, Cambridge, ON | | 174 | 14,742 |
| Parksville Mini Storage, Parksville, BC | | 110 | 10,304 |
| Space Place Self Storage, Calgary, AB | | <u>29</u> | <u>2,681</u> |
| Total | | 1,128 | 105,546 |

SVI also manages, on behalf of a third party owner, five self-storage facilities consisting of 2,143 units (243,062 rentable square feet) and two PUPS franchises consisting of 390 PUPS units (36,315 rentable square feet) in exchange for management fees equal to 5% of gross revenues.

Highlights for the Year Ended December 31, 2012

Selected financial highlights for the Corporation:

| | Year Ended December 31 | |
|---------------------------------|------------------------|-----------|
| | 2012 | 2011 |
| Total Revenue | 4,007,995 | 3,885,105 |
| <i>Year over Year change \$</i> | 122,890 | |
| <i>Year over Year change %</i> | 3.2% | |
| Net Income (Loss) | (727,042) | (223,498) |
| <i>Year over Year change \$</i> | (503,544) | |
| <i>Year over Year change %</i> | -225.3% | |
| Funds from Operations | | |
| From operating properties | 1,372,311 | 1,255,123 |
| From non-operating activities | (844,623) | (628,465) |
| Total | 527,688 | 626,658 |
| <i>Year over Year change \$</i> | (98,970) | |
| <i>Year over Year change %</i> | -15.8% | |

The Corporation grows revenue by improving operations in locations that it has operated in past years, and by adding new revenue streams from acquired self-storage facilities and newly launched PUPS facilities. The table below analyzes revenues separately for "Existing Sites" which are defined as those that the Corporation has operated for the entirety of the 2011 and 2012 fiscal years. "New Sites" are those that were acquired or launched in 2011 or 2012.

| <u>Revenue Summary</u> | <u>Year Ended December 31</u> | | <u>Year over Year Change</u> | |
|------------------------|-------------------------------|------------------|------------------------------|-------------|
| | <u>2012</u> | <u>2011</u> | <u>\$</u> | <u>%</u> |
| Existing Sites | | | | |
| Self Storage | 1,954,825 | 2,020,531 | (65,706) | -3.3% |
| PUPS | 1,586,199 | 1,311,523 | 274,676 | 20.9% |
| | <u>3,541,024</u> | <u>3,332,054</u> | <u>208,970</u> | <u>6.3%</u> |
| New Sites | | | | |
| Self Storage | 294,548 | - | 294,548 | - |
| PUPS | 28,023 | - | 28,023 | - |
| | <u>322,571</u> | <u>-</u> | <u>322,571</u> | <u>-</u> |
| Other | 144,400 | 553,051 | (408,651) | -73.9% |
| Total | | | | |
| Self Storage | 2,249,373 | 2,020,531 | 228,842 | 11.3% |
| PUPS | 1,614,222 | 1,311,523 | 302,699 | 23.1% |
| Other | 144,400 | 553,051 | (408,651) | -73.9% |
| | <u>4,007,995</u> | <u>3,885,105</u> | <u>122,890</u> | <u>3.2%</u> |

For the year ended December 31, 2012, the year over year change in revenue from Existing self-storage facilities was a decrease of 3.3%. The decline was mostly attributable to the Kenaston location which saw a 5.1% decrease in year over year revenue, due in part to added competition in Winnipeg five new competitive facilities were reportedly opened in late 2011 and early 2012. Management expects the Kenaston facility to fully recover to normal occupancy levels as it is in a superior location and because the population of neighboring residential areas continues to expand.

PUPS operations at Existing Sites saw a revenue increase of \$274,676 or 20.9% in 2012 compared to 2011. This reflects the continued maturation of PUPS operations in all cities where PUPS are offered, with the strongest growth being experienced in the Saskatoon market where revenues were 51.7% higher in 2012 than they were in 2011.

The largest component of the "other" revenue category is sales of PUPS containers and related PUPS delivery equipment to sub-franchisees of the Corporation. Sales of such equipment amounted to \$525,718 in 2011 compared to \$137,560 in 2012 when the sub-franchisee PUPS operations neared maturity in terms of capital acquisitions.

Net Income/(Loss) Summary

| | <u>Year Ended December 31</u> | | <u>Year over Year Change</u> | |
|----------------------|-------------------------------|------------------|------------------------------|---------------|
| | <u>2012</u> | <u>2011</u> | <u>\$</u> | <u>%</u> |
| Existing Sites | | | | |
| Self Storage | 275,485 | 362,960 | (87,475) | -24.1% |
| PUPS | (53,212) | (178,977) | 125,765 | -70.3% |
| | <u>222,273</u> | <u>183,983</u> | <u>38,290</u> | <u>20.8%</u> |
| | | | | |
| New Sites | | | | |
| Self Storage | (36,046) | - | (36,046) | - |
| PUPS | (48,745) | - | (48,745) | - |
| | <u>(84,791)</u> | <u>-</u> | <u>(84,791)</u> | <u>-</u> |
| | | | | |
| Corporate activities | (864,524) | (407,481) | (457,043) | 112.2% |
| | | | | |
| Total | | | | |
| Self Storage | 239,439 | 362,960 | (123,521) | -34.0% |
| PUPS | (101,957) | (178,977) | 77,020 | -43.0% |
| Other | (864,524) | (407,481) | (457,043) | 112.2% |
| | <u>(727,042)</u> | <u>(223,498)</u> | <u>(503,544)</u> | <u>225.3%</u> |

The Net Loss of the Corporation increased by \$503,544 in 2012 compared to 2011, from a net loss of \$223,498 to a net loss of \$727,042. The majority of the change in net loss arose from two events that were not related to property operations. The first was the acquisition of the Calgary self-storage property, which resulted in a certain professional and other fees being included in the Corporate Activities category. As there were no acquisitions in 2011, there were no comparable expenses in that year. This is further discussed under the heading "Corporate selling, general and administrative (S, G & A) costs" below. The second is the inclusion in the 2011 figures of a gain on the sale of undeveloped land adjacent to the B&B facility in Cambridge. This book gain amounted to \$230,603. There was no comparable gain in the 2012 fiscal year.

Funds from Operations figures are used by management to assess financial results without the effects of amortization based on historical costs. The year to date FFO from self-storage and PUPS operations increased by \$117,188 or 9.3% to \$1,372,311 in 2012 compared to \$1,255,123 in 2011. This was offset by a decrease in FFO resulting from non-operating activities of \$216,158 or 34.4% due primarily to the Calgary acquisition and the gain on sale of land noted above.

Outlook

When considering Existing Sites, the financial results of the Corporation are dictated to a large extent by the level of occupancy in those facilities. One of management's primary and continuing focuses is to attract and retain tenants and keep occupancy at acceptable levels.

The level of occupancy of a given facility is generally dependent on the local economy and the level of competition near that facility. Most self-storage tenants will not travel more than 10 or 20 kilometers to rent a storage unit. PUPS customers may live farther from the PUPS facility, but because of delivery costs, most are within 100 kilometers of the PUPS facility. In addition to location, the physical condition of the facility, the rental rates compared to local competitors, and level of service from on-site staff all factor into the facility's ability to attract and retain tenants.

A number of factors in the larger economy can also impact self-storage rentals. Like many businesses, self-storage can feel the effects of changes in employment and levels of disposable income in the economy. Storage facilities in locations where new and used housing sales are strong, or money is available for renovations to homes and businesses, tend to experience higher levels of occupancy than those where the economy is not as robust. However, self-storage operators in many regions of Canada have noticed that while occupancies generally declined after the economic recession and credit crisis of 2008, they did not fall at a rate comparable to the loss in revenues of other businesses. It seems that even in declining economies people still need a place to store their possessions.

The outlook for self-storage operations is for modest growth in net operating income, stemming mostly from continued efforts to streamline operations and reduce costs. In Saskatchewan and Alberta, the economies remain generally robust. The Corporation's self-storage facilities in these provinces are operating at or near target occupancy rates. Some room exists for pricing adjustments; however, management is very careful not to price its offerings such that it loses competitive advantages. In Manitoba, local competition means that the Corporation has had to implement pricing incentives to retain market share. Based on past experience, these incentives are often temporary, and can end once the new competitors reach a certain level of lease-up. As the Corporation's Winnipeg facility is in a superior location and is a well maintained property, management expects occupancies to slowly increase over the coming months. In Ontario and BC, we continue to see some effects of a slower economy. Management anticipates that current levels of occupancy will persist for the near term, and is focusing on operational aspects such as site improvements, staff training and targeted advertising to help attract new customers. In all self-storage locations, management is also continuously monitoring pricing policies in an effort to maximize revenue given the level of vacancy that exists at each of those sites.

Management believes PUPS portable storage is poised for continued growth in all locations where PUPS are offered. The Regina market is the most mature in terms of years of operation. Yet it has continued to see year over year revenue growth as the market continues to find uses for the PUPS containers. The concept of portable storage has also grabbed hold in Saskatoon now that it is into its third year of operation. December 31 year to date revenues from PUPS in Saskatoon in 2011 were \$266,117. For the same twelve months of 2012 they were \$403,619 – an increase of almost 52%. Management's experience is that once a market understands the concept of portable storage, and storage containers are visible on driveways and at businesses throughout the city, the product starts to gain a momentum that fuels continued growth.

PUPS operations in Cambridge ON and Parksville BC have only been operational for about one year. They have both shown increases in year over year revenues but have not yet reached a level of maturity in their rentals. Management expects both locations to continue their growth patterns over the remaining summer months of 2013. In all PUPS locations, management has also implemented television, radio and/or on-line advertising campaigns to continue educating the marketplace on the benefits of the product. While this has reduced current Net Operating Income levels, management believes the advertising will create longer term brand awareness that should augment rentals in the future.

The economic slowdown has also had an impact on new builds of self-storage facilities in Canada. As low cost debt financing was difficult to find in recent years, very few developers have attempted to build new self-storage facilities in Canada in the last two years. There were virtually no new competitors in the markets served by the Corporation through the first half of 2011. In the late summer of 2011, a new self-storage competitor opened in a town just outside of Regina, and a new portable storage operator has moved into Winnipeg and is slated to open in Regina (although this competitor offers a slightly different portable storage service utilizing reclaimed ocean shipping containers). As noted above, the Winnipeg market has recently seen the addition of at least 5 new facilities. New competitors often try to jump-start their lease-up periods by offering significant move-in discounts to new customers. This will result in short term fluctuations in rentals at existing sites. Management has historically provided select discounts - usually in the winter months when customers tend to avoid moving possessions or renovating homes. The Corporation may have to provide other discounts in these select markets to match competitive forces and retain its customer base. The effect on overall revenues is not expected to be significant, but it may be enough to slow the rate in growth of revenues that has been experienced in the past two years.

A major focus for the Corporation in 2013 will be the continued growth of PUPS operations. Unlike self-storage buildings which have a relatively finite ability to expand, the PUPS operations can be tailored to market demand. This means continually adjusting the number of containers in inventory and the amount of support activities (staffing, advertising etc.) to meet demand. Management expects all PUPS locations to ultimately mature in the 250 to 350 container range. To date, only the Regina location has approached this level; with Saskatoon being the next location expected to reach it.

Another focus will be on the development of the Calgary market. With the acquisition of Space Place Self Storage on April 30, 2012, the Corporation has a foothold from which to launch PUPS in Calgary. The Corporation undertook a soft launch of PUPS in Calgary in August 2012. Despite minimal advertising support, 19 units were rented by the end of December 2012. The advertising effort will be ramped-up in early 2013 to coincide with the normal spring/summer busy season for portable storage. In addition, the Corporation is also experiencing a noticeable demand from customers who want to physically relocate their residence to or from Calgary. Management believes this inter-city moving will become a material revenue source in future months and is implementing processes to streamline the necessary processes within the Corporation.

The Corporation will also continue to seek out new self-storage acquisition targets in markets not already served by the Corporation. Such acquisitions would further augment cash flows from self-storage, and would be strategically located in locations where a PUPS operation could be launched to provide portable storage in an underserved market.

Subsequent Events

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

On March 27, 2013, the Corporation completed the acquisition from an arm's length vendor a self-storage facility located in London, Ontario. The London self-storage facility has approximately 50,000 square feet of rentable self-storage space together with outdoor space for storage of vehicles. StorageVault intends to develop and operate a PUPS portable storage business in London in conjunction with the acquisition of the self-storage facility. The aggregate purchase price was \$2,575,000. After standard customary adjustments and property transfer tax, the purchase price was comprised of cash deposits of \$50,000 and a final cash payment of \$2,525,000.

SELECTED ANNUAL INFORMATION

The Corporation was incorporated on May 31, 2007. A summary of selected financial information for the Corporation's fiscal years ended December 31, 2012, 2011, and 2010 is as follows.

| | <u>Fiscal Year Ended December 31, 2012</u> | <u>Fiscal Year Ended December 31, 2011</u> | <u>Fiscal Year Ended December 31, 2010</u> |
|--------------------------------------|--|--|--|
| Total Revenue | \$4,007,995 | \$3,885,105 | \$2,543,663 |
| Net Income / (Loss) | | | |
| Total | (\$ 727,042) | (\$ 223,498) | (\$ 402,319) |
| Per share, basic and diluted | (\$0.022) | (\$0.007) | (\$ 0.012) |
| Total Assets | \$ 23,629,643 | \$ 17,803,840 | \$ 18,275,294 |
| Long Term Financial Liabilities | \$18,013,759 | \$11,400,086 | \$ 11,556,138 |
| Dividends declared-common shares | nil | nil | nil |
| Dividends declared-preferred shares* | \$70,819 | \$69,075 | \$36,915 |

*Pursuant to International Accounting Standard 32 – Financial Instruments: Presentation, issuers of financial instruments that contain both a liability and equity element must classify the instrument's component parts separately. Due to a conversion privilege, the Preferred Shares issued by the Corporation in 2010 have both a liability and an equity component. Payments related to the liability component have been classified as interest expense. Payments related to the equity component have been classified as dividends (above). The gross amount of Preferred Shares outstanding at December 31, 2012 was \$4,252,852 (December 31, 2011 - \$4,148,171). The amount of payments in the fiscal year ended December 31, 2012 related to the liability component was \$138,542 (December 31, 2011 - \$135,132).

RESULTS OF OPERATIONS

Property Operations

The storage industry in Canada tends to be seasonal. A significant portion of demand is generated from residential customers who are either moving to a new residence or renovating an existing home. Demand wanes in winter months as cold temperatures discourage this type of activity. At the same time, operating costs increase in the winter. Heating costs (for those facilities with heated storage) and snow removal costs are at their peak. The result is a historically higher operating cost percentage, and lower revenue and NOI margin in Q1 and Q4 of each year.

The Corporation's quarterly results are also affected by the timing of acquisitions and the start-up of PUPS operations. Certain expenses, including some due diligence and professional fees cannot be capitalized. These are instead expensed in the weeks surrounding a related acquisition. The Corporation also incurs recurring and non-recurring start-up expenses when a PUPS location is opened and is in lease-up. These costs may include labor, training, travel, advertising or office expenses.

A summary of the results of operations is as follows:

| | 2012 Fiscal Year ('000 omitted) | | | | | 2011 Fiscal Year ('000 omitted) | | | | |
|------------------------------|---------------------------------|-------|-------|-------|-------|---------------------------------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total |
| Fixed Storage | | | | | | | | | | |
| Property Revenue** | 487 | 566 | 607 | 589 | 2,249 | 498 | 496 | 521 | 506 | 2,021 |
| Operating Costs | 190 | 219 | 255 | 246 | 910 | 181 | 170 | 177 | 187 | 715 |
| NOI | 297 | 347 | 352 | 343 | 1,339 | 317 | 326 | 344 | 319 | 1,306 |
| NOI Margin | 61.0% | 61.3% | 58.0% | 58.2% | 59.5% | 63.7% | 65.7% | 66.0% | 63.0% | 64.6% |
| PUPS Portable Storage | | | | | | | | | | |
| Property Revenue | 300 | 413 | 499 | 402 | 1,614 | 161 | 344 | 452 | 354 | 1,311 |
| Operating Costs | 192 | 235 | 302 | 259 | 988 | 162 | 234 | 249 | 232 | 877 |
| NOI | 108 | 178 | 197 | 143 | 626 | (1) | 110 | 203 | 122 | 434 |
| NOI Margin | 36.0% | 43.1% | 39.5% | 35.6% | 38.8% | -0.6% | 32.0% | 44.9% | 34.5% | 33.1% |
| Combined | | | | | | | | | | |
| Property Revenue | 787 | 979 | 1,106 | 991 | 3,863 | 659 | 840 | 973 | 860 | 3,332 |
| Operating Costs | 382 | 454 | 557 | 505 | 1,898 | 343 | 404 | 426 | 419 | 1,592 |
| NOI | 405 | 525 | 549 | 486 | 1,965 | 316 | 436 | 547 | 441 | 1,740 |
| NOI Margin | 51.5% | 53.6% | 49.6% | 49.0% | 50.9% | 48.0% | 51.9% | 56.2% | 51.3% | 52.2% |

** including management fees from the Conundrum management agreement

Revenue from Income Producing Properties

Total revenue from fixed storage properties and fixed storage property management for year ended December 31, 2012 was \$2,249,973 compared to \$2,020,531 for the same period last year – an increase of \$229,442. Operating costs for fixed storage have increased by \$195,162 from \$714,823 to \$909,985. The NOI margin for the 2012 fiscal year was 59.5%, compared to the 64.6% experienced in 2011. Revenues increased because of the addition of Calgary Space Place in May 2012. However, this increase was offset by a decline in Winnipeg due to the competitive pressures that were noted above. The acquisition of the Calgary property also absorbed some non-recurring costs during the transition from the previous owner thereby increasing operating costs and creating a drag on the NOI margin.

The revenue from PUPS operations was \$1,614,222 in 2012, an increase of \$302,699 over the \$1,311,523 earned from PUPS in 2011. This growth is reflective of the maturing of the PUPS operations in Regina, and the progression of operations in Saskatoon. The PUPS operations in Winnipeg, Cambridge and Parksville are also growing although the effect on the revenue line is not as great as they are earlier in the lease-up phase. The development of a PUPS operation typically takes 2 to 3 years from inception to maturity. This time is necessary for the local market to not only learn of the PUPS operation through advertising and promotion, but also to understand the concept of portable storage, which is still a new concept in many markets. The overall level of PUPS revenue inside the Corporation is a function of both the size of the available rental fleet, and the vacancy level within that fleet. At December 31, 2012, the Corporation had 1,128 containers in its fleet – an increase of 14.8% over the 983 on hand at December 31, 2011.

A summary of unit occupancy rates at the end of each fiscal quarter for the self-storage locations is as follows:

| | 2012 Fiscal Year | | | | 2011 Fiscal Year | | | |
|---|------------------|-------|-------|-------|------------------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Fixed Storage | | | | | | | | |
| Trans Can Mini Stor, Regina, SK | 76.6% | 81.9% | 77.0% | 68.8% | 78.1% | 86.3% | 84.5% | 77.8% |
| Kenaston Self Storage, Winnipeg, MB | 81.6% | 85.5% | 80.9% | 77.9% | 85.5% | 90.3% | 87.7% | 79.2% |
| B&B Mini Storage, Cambridge, ON | 81.0% | 78.3% | 82.0% | 81.0% | 78.3% | 91.5% | 91.5% | 82.5% |
| Parksville Mini Storage, Parksville, BC | 73.9% | 77.5% | 80.3% | 77.5% | 71.1% | 69.5% | 73.9% | 81.7% |
| Space Place Self Storage, Calgary, AB | * | 82.7% | 82.8% | 81.9% | * | * | * | * |

* property not owned by the Corporation at this time

The occupancy rate at Trans Can Mini Stor normally sees a decline in the winter months compared to summer months. The decline in Q3 and Q4 of 2012 has been larger than normal. Management believes this is due to a number of factors, including a softening of the housing market in Regina, the presence of new self-storage competition in suburbs east of Regina, and the rapid onset of winter conditions in November of 2012. Kenaston Self Storage has seen climbing back toward historically normal occupancy rates as the local market absorbs all of the new rental space from recent market entrants. Both Cambridge and Parksville have maintained historically normal levels of occupancy. Management considers an occupancy rate of 85% as optimal. Any lower, and the assets are not being used efficiently. Any higher, and it is indicative that pricing is not in line with demand.

Occupancy percentages alone do not tell the whole story when it comes to PUPS. This is because number of PUPS containers available for rent changes (increases) over time as the locations grow toward maturity. An alternative to occupancy rate comparisons for PUPS is simply a comparison of the number of units rented at a given date. The number of rented PUPS increased from 550 at the end of 2011 to 663 by the end of 2012. This represents an increase of 20.5%.

Property Net Operating Income (NOI)

As with revenues, the analysis of NOI can be divided into Existing Sites and New Sites. The change in year over year NOI is smaller in existing self-storage sites, as the gains to be made there are mostly from improvements in sales and cost efficiencies. As with revenues and occupancy, the self-storage site in Winnipeg and to a lesser degree the site in Regina experienced declines compared to the levels obtained in 2011. The NOI at existing PUPS sites was able to grow substantially as the markets matured and additional PUPS containers are added to the rental fleet. Contribution to this growth came from all PUPS locations, with Saskatoon leading the way with a year over year increase in NOI of \$85,962 which equals 175% of the 2011 fiscal year NOI.

Property NOI

| | Year Ended December 31 | | Year over Year Change | |
|----------------|------------------------|------------------|-----------------------|--------------|
| | <u>2012</u> | <u>2011</u> | <u>\$</u> | <u>%</u> |
| Existing Sites | | | | |
| Self Storage | 1,199,778 | 1,305,708 | (105,930) | -8.1% |
| PUPS | 633,407 | 434,601 | 198,806 | 45.7% |
| | <u>1,833,185</u> | <u>1,740,309</u> | <u>92,876</u> | <u>5.3%</u> |
| New Sites | | | | |
| Self Storage | 139,610 | - | 139,610 | - |
| PUPS | (7,832) | - | (7,832) | - |
| | <u>131,778</u> | <u>-</u> | <u>131,778</u> | <u>-</u> |
| Total | | | | |
| Self Storage | 1,339,388 | 1,305,708 | 33,680 | 2.6% |
| PUPS | 625,575 | 434,601 | 190,974 | 43.9% |
| | <u>1,964,963</u> | <u>1,740,309</u> | <u>224,654</u> | <u>12.9%</u> |

Interest income

Interest income for the year ended December 31, 2012 was \$3,268, compared to \$6,243 for the previous fiscal year. Interest income was generated by the temporary investment of cash raised from equity issuances in the periods between raising the cash and investing it into operating properties or capital additions.

Corporate selling, general and administrative (S, G & A) costs

S, G & A expenses for the year ended December 31, 2012 were \$689,775 compared to \$571,421 for the previous fiscal year. As a percentage of storage related revenue, S, G, & A costs were 17.9% in 2012 compared to 17.2% in 2011. The largest drivers of these costs are salaries, management fees, and new facility acquisitions or PUPS start-ups which incur a number of professional fees that cannot be capitalized.

The three largest S, G & A items in the year ended December 31, 2012 were as follows:

- Management fees paid to Detteson Management Inc. of \$232,456 (December 31, 2011 - \$145,333). See discussion of "Related Party Transactions" below.
- Professional fees of \$134,561 (December 31, 2011 - \$122,669). Professional fees related to the acquisition of Space Place Self Storage in Calgary amounted to \$39,500 in the first half of 2012. These expenses for legal work, appraisals and environmental assessments cannot be capitalized with the acquisition. There were not property acquisitions in the same six months of 2011. Accruals and billings for audit and other financial work relating to the Corporation added another \$38,548 of professional fees in the first nine months of 2012. Property appraisals and legal fees for general corporate matters made up the balance of the 2012 costs.
- Salaries of \$144,587 (December 31, 2011 - \$125,080). This category is comprised of a Supervisor of Operations, an Accounting Technician and certain administrative support costs. No new staff has been added to this category in the past year.

Summary of Quarterly Results (unaudited)

| Period | Net Revenue | Net Income / (Loss) | Net Income / (Loss) per share | Fully diluted Net Income / (Loss) per share | Total Assets | Total Long Term Liabilities | Dividends |
|-------------------|--------------------|---------------------|-------------------------------|---|--------------|-----------------------------|-----------------|
| 2012- Q4 | \$ 994,072 | (\$229,666) | (\$0.007) | (\$0.007) | \$23,629,643 | \$18,013,759 | \$17,870 |
| 2012- Q3 | \$1,106,859 | (\$114,667) | (\$0.003) | (\$0.003) | \$20,935,772 | \$15,081,287 | \$17,760 |
| 2012- Q2 | \$1,118,181 | (\$219,618) | (\$0.007) | (\$0.007) | \$20,806,433 | \$14,802,982 | \$17,650 |
| 2012- Q1 | \$788,883 | (\$163,091) | (\$0.005) | (\$0.005) | \$17,509,108 | \$11,277,214 | \$17,539 |
| Total 2012 | \$4,007,995 | (\$727,042) | (\$0.022) | (\$0.022) | N/A | N/A | \$70,819 |
| 2011- Q4 | \$1,051,894 | \$21,807 | \$0.001 | \$0.001 | \$17,803,840 | \$11,400,086 | \$17,430 |
| 2011- Q3 | \$994,018 | \$2,518 | (\$0.000) | (\$0.000) | \$17,855,378 | \$11,462,491 | \$17,299 |
| 2011- Q2 | \$1,157,721 | (\$54,248) | (\$0.002) | (\$0.002) | \$18,003,654 | \$11,568,848 | \$17,279 |
| 2011- Q1 | \$681,472 | (\$193,575) | (\$0.006) | (\$0.006) | \$18,059,838 | \$11,542,791 | \$17,067 |
| Total 2011 | \$3,885,105 | (\$223,498) | (\$0.007) | (\$0.007) | N/A | N/A | \$69,075 |
| 2010- Q4 | \$702,752 | (\$165,131) | (\$0.005) | (\$0.005) | \$18,275,294 | \$11,556,138 | \$15,025 |
| 2010- Q3 | \$751,997 | \$873 | (\$0.000) | (\$0.000) | \$14,936,156 | \$8,521,647 | \$10,979 |
| 2010- Q2 | \$635,826 | (\$47,521) | (\$0.001) | (\$0.001) | \$15,017,047 | \$8,597,921 | \$10,911 |
| 2010- Q1 | \$453,088 | (\$190,540) | (\$0.006) | (\$0.006) | \$13,620,938 | \$7,132,785 | - |
| Total 2010 | \$2,543,663 | (\$402,319) | (\$0.012) | (\$0.012) | N/A | N/A | \$36,915 |

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Corporation had \$233,773 of cash and short term deposits compared to \$694,641 at December 31, 2011. The decrease resulted from the acquisition of capital assets including trucks, and PUPS containers throughout the 2012 fiscal year.

The Corporation's principal sources of liquidity are its ability to generate cash flow from operations, arranging new debt financing, and offering shares to the public. With the cash flow being generated from operations (see "Highlights for the Year Ended December 31, 2012" above), management has been able to fund recent equipment acquisitions from operating cash flows. This operating cash flow has lessened the need for external financing.

The Corporation believes it is not in default or arrears on any of its debt obligations. There is no mortgage debt maturing in 2013. As at December 31, 2012, the Corporation had total mortgage debt outstanding of \$12,642,375 at interest rates ranging from 4.00% to 6.10% and maturities ranging from January 2014 to May 2038. The Corporation also had term debt totaling \$439,655 and unsecured convertible debentures totaling \$320,000 at September 30, 2012 with interest rates ranging from 4.00% to 9.50% and maturities ranging from May 2014 to March 2021.

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

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

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

In the fiscal year 2012, the Corporation completed the defeasance of a mortgage on the Trans Can property in Regina. 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 3.75% and maturities ranging from March 2013 to June 2016. Both the defeasance obligation and the Short and Long Term Investments are held within 1712066 Alberta Ltd, a special purpose entity whose financial statements are consolidated with those of StorageVault Canada Inc. as at December 31, 2012.

The following chart summarizes the Corporation's financial commitments for mortgage and long term debt (excluding the defeasance obligation noted above) principal and interest payments for the next five years:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|------------------|-----------------|--------------|
| 2013 | \$679,096 | \$690,063 | \$1,369,159 |
| 2014 | \$970,773 | \$641,088 | \$1,611,861 |
| 2015 | \$630,705 | \$594,250 | \$1,224,955 |
| 2016 | \$625,076 | \$563,304 | \$1,188,380 |
| 2017 | \$622,006 | \$532,029 | \$1,154,035 |

Normal Course Issuer Bid – The Corporation's Board of Directors believes that the market price of its common shares may not reflect the underlying value those shares. In addition, the Board believes that the ongoing purchase by the Corporation of its outstanding common shares is a good investment opportunity and an appropriate use of the Corporation's funds. On June 6, 2012, the Corporation received regulatory approval from the TSX Venture Exchange to make a Normal Course Issuer Bid to purchase for cancellation, during the 12-month period commencing June 12, 2012, up to 1,673,561 of its common shares, representing 5% of the common shares outstanding as at June 5, 2012. The program will end on June 12, 2013 unless the maximum amount of common shares is purchased before then or the Corporation provides earlier notice of termination. As of December 31, 2012 the Corporation had purchased through the Exchange 97,000 shares at an average price of \$0.2621 per share and a total of 97,000 shares had been cancelled. A Normal Course Issuer bid was conducted by the Corporation for the 12 month period ended April 25, 2012. During that period, a total of 239,500 common shares of the Corporation were purchased at an average price of \$0.2316 and subsequently cancelled.

Management believes that the Corporation has sufficient working capital to meet its future commitments. The Corporation may have capital requirements in excess of its currently available resources. In the event the Corporation's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Corporation may be required to seek additional financing. There can be no assurance that the Corporation will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Corporation in the future.

Funds from Operations (FFO)

FFO is a non-IFRS measure. It allows management and investors to evaluate the financial results of an entity without taking into consideration the impact of amortization which may vary between real estate investments based on when the assets were acquired. Also excluded are stock based compensation costs and future income tax expenses (recoveries), if any.

The FFO for the years ended December 31, 2012 and 2011 were \$527,849 and \$626,657, respectively. The Corporation continues to generate positive Funds From Operations, thereby validating the business model which includes matching proven cash flow positive self-storage properties with organically grown portable storage operations. The self-storage facilities bring long term, stable cash flow to the Corporation, while the portable storage diversifies product offering and provides long term growth opportunity.

A summary of FFO by fiscal quarter is as follows:

| | 2012 Fiscal Year ('000 omitted) | | | | | 2011 Fiscal Year ('000 omitted) | | | | |
|-------------------|---------------------------------|-------|-------|-------|-------|---------------------------------|------|-----|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total |
| Net Income/(Loss) | (163) | (220) | (115) | (229) | (727) | (194) | (54) | 3 | 22 | (223) |
| Add: | | | | | | | | | | |
| Amortization | 261 | 316 | 327 | 351 | 1,255 | 236 | 243 | 244 | 358 | 1,081 |
| Gain on disposal | - | - | - | - | - | - | - | - | (231) | (231) |
| Stock based comp. | - | - | - | - | - | - | - | - | - | - |
| Future inc. taxes | - | - | - | - | - | - | - | - | - | - |
| FFO | 98 | 96 | 212 | 122 | 528 | 42 | 189 | 247 | 149 | 627 |

Contractual Obligations and Off-Balance Sheet Arrangements

The Corporation is not party to any industry contracts or arrangements other than the contractual arrangement noted in "Related Party Transactions" below. There are no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Management Agreement

The Corporation has entered into a management agreement (the "Agreement") with Detteson Management Inc. ("Detteson") which is owned and controlled by Alan Simpson, President and Chief Executive Officer of the Corporation, and Glenn Fradette, Chief Financial Officer of the Corporation. Pursuant to the Agreement, Detteson provides the management individuals to serve as officers of the Corporation as well as asset management, administrative and other services to the Corporation. The remuneration to be paid to Detteson under the Agreement consists of:

- 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.
- 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.

Prior to May 1, 2011, the remuneration to be paid to Detteson under the Agreement consisted of an annual advisory fee equal to 0.225% per annum of the Gross Book Value of the Corporation's assets (0.150% if assets exceed \$150,000,000), payable monthly, and prorated to take into account any acquisitions or dispositions during any month, subject to a minimum annual advisory fee of \$100,000 (\$48,000 prior to September 1, 2009). Additionally, remuneration included an acquisition fee equal to 0.5% of the cost of any property acquired or disposed including, without limitation, real estate commissions, finder's fees and any acquisition costs (excluding the fees payable to Detteson pursuant to this provision) and all out-of-pocket costs including legal fees and disbursements, registration and filing fees, land transfer and sales taxes, all calculated in accordance with Canadian generally accepted accounting principles and applied on a consistent basis.

The Corporation also reimburses Detteson for all expenses incurred in connection with the operation of the Corporation, including third party costs, which are reasonably incurred by Detteson on behalf of the Corporation.

During the year ended December 31, 2012, the Corporation paid total management fees of \$234,456 (December 31, 2011 - \$145,333) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation.

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

During the year ended December 31, 2012, the Corporation paid loan guarantee fees of \$8,712 (December 31, 2011 - \$9,144) to Alan A. Simpson and loan guarantee fees of \$8,712 (December 31, 2011 - \$9,144) to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on T. C. Mini Storage Ltd., both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the rate of 0.5% of the original mortgage principal, per person.

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. The Corporation pays a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the year ended December 31, 2012, the Corporation paid \$70,759 (December 31, 2011 - \$52,439) for royalties and \$806,959 (December 31, 2011 - \$1,146,979) for storage containers and other equipment under the Master Franchise Agreement.

During the year ended December 31, 2009, the Corporation issued \$320,000 of convertible, unsecured debentures of which \$210,000 was issued to officers, directors and spouses of directors of the Corporation. During the year ended December 31, 2012, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$19,950 (December 31, 2011 - \$19,950).

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

OUTSTANDING SHARE DATA

On March 17, 2010, the Corporation completed a preferred share financing wherein it would issue up to 4,000,000 Series I convertible, retractable preferred shares for total gross proceeds of \$4,000,000. On that same date, 2,000,000 Series I preferred shares were issued for gross proceeds of \$2,000,000. On October 15, 2010 the remaining 2,000,000 Series I preferred shares were issued for gross proceeds of \$2,000,000. The Series I preferred shares may be converted at any time within 3 years of the date of issuance in common shares of the Corporation at a rate of \$0.30 per common share.

A summary of the outstanding shares and convertible securities as at the date of this MD&A is as follows:

| | Expiry Date | Exercise Price | Securities Outstanding | Common Shares on Exercise |
|---|------------------|-------------------|---------------------------|------------------------------|
| <u>Common Shares:</u> | | | | |
| Seed capital | | | 5,000,000 | |
| Initial public offering – November 5, 2007 | | | 5,000,000 | |
| Private placement – October 31, 2008 | | | 18,391,304 | |
| Agency fee – October 31, 2008 | | | 678,696 | |
| Issued to vendor – Canadian PUPS acquisition | | | 2,466,798 | |
| Issued to vendor – Kenaston acquisition | | | 2,173,913 | |
| Cancelled under Normal Course Issuer Bid - 2011 | | | (239,500) | |
| Cancelled under Normal Course Issuer Bid - 2012 | | | <u>(97,000)</u> | |
| Outstanding Common Shares | | | <u>33,374,211</u> | |
| <u>Preferred Shares:</u> | | | | |
| Series I- tranche 1 | March 17, 2013 | \$0.30 | 2,000,000 | 6,666,667 |
| Series I- tranche 2 | October 15, 2013 | \$0.30 | 2,000,000 | 6,666,667 |
| Stock Dividends | | \$0.30 | <u>252,852</u> | <u>842,840</u> |
| Outstanding Preferred Shares | | | <u>4,252,852</u> | 14,176,174 |
| <u>Options and Warrants:</u> | | | | |
| Director's options | November 5, 2017 | \$0.20 | 1,000,000 | 1,000,000 |
| Director's options | May 6, 2019 | \$0.23 | <u>2,200,000</u> | <u>2,200,000</u> |
| Outstanding options and warrants | | | <u>3,200,000</u> | 3,200,000 |
| <u>Convertible Debt</u> | | | | |
| Unsecured debentures | May 13, 2014 | \$0.32 | - | 1,000,000 |
| | | | | <u>18,376,174</u> |

RISKS AND UNCERTAINTIES

The following is a brief review of some of the potential risks and the potential impacts these risks and uncertainties may have on the operations of the Corporation:

Real Estate Industry

Real estate investments are subject to varying degrees of risk depending on the nature of each property. Such investments are affected by general economic conditions, local real estate markets, supply and demand for rental space, competition from others with similar developments, the perceived “attractiveness” of a given property, and various other factors.

There is no certainty that financing will be available upon the maturity of any existing mortgage at terms that are as favorable as the expiring mortgage, or at all. If the Corporation is ever unable to refinance an existing indebtedness on favorable terms, the Corporation may need to dispose of one or more properties upon disadvantageous terms. Prevailing interest rates, limited availability of credit or other factors at the time of refinancing could increase interest expense and ultimately decrease the return to investors.

Economic Conditions

The storage industry in Canada can be cyclical. Due to the climate, demand for self-storage is generally weaker in the winter months. Self-storage is less susceptible to changes in the local economy, as storage space is often needed during times of both growth and recession. However, downturns in a local economy could negatively affect self-storage rentals due to the decrease in consumer discretionary spending. A significant portion of self-storage tenants use self-storage during periods of moving from one residence to another, or when a residence is being renovated. In times of economic downturn, the level of activity in housing sales and housing renovation could decrease, thereby decreasing self-storage rental demand.

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.

Environmental Risks

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

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial obligations to the Corporation. The risk of incurring bad debts often arises if self-storage tenants relocate and cannot be found to enforce payment, or if self-storage tenants abandon their possessions. The extent of bad debts can be mitigated by quickly following up on any unpaid amounts shortly after the due date, enforcing late fees, denying access to any tenants with delinquent accounts, and ultimately seizing the possessions of the tenant. Additionally the Corporation typically rents to numerous tenants, each of which constitutes significantly less than 5% of the Corporation's monthly revenue. This diversification in the tenant base reduces credit risk from any given tenant.

Competition

The Corporation competes with other individuals, corporations and institutions which currently own, or are anticipating owning a similar property in a given region. Competitive forces could have a negative effect on rental rates or certain costs such as advertising.

Competition also exists when the Corporation attempts to grow through acquisitions of storage facilities. Some investors may have greater financial resources than those of the Corporation. An increase in the availability of investment funds in the general market, and a subsequent increase in demand for self-storage facilities would have a tendency to increase the price for future acquisitions of self-storage facilities and reduce the yields thereon. In addition, the Corporation may require additional financing to complete future real estate acquisitions which may not be available on terms acceptable to the Corporation.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board (the "IASB") or the International Financial Reporting Interpretations Committee (the "IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation.

IFRS 9: Financial Instruments: Classification and Measurement ("IFRS 9")

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

IFRS 10: Consolidated Financial Statements ("IFRS 10")

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

IFRS 11: Joint Arrangements (“IFRS 11”)

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

IFRS 12: Disclosure of Interests in Other Entities (“IFRS 12”)

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

IFRS 13: Fair Value Measurement (“IFRS 13”)

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

IAS 28: Investments in Associates and Joint Venturers (“IAS 28”)

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

Other Standards

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