

StorageVault Canada Inc.

(the "Corporation")

Form 51-102F1

Management's Discussion and Analysis For the Three Months Ended March 31, 2014

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, 2013. 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 unaudited interim consolidated financial statements for the three months ended March 31, 2014 and the audited consolidated financial statements for the year ended December 31, 2013 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, economic conditions, 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 May 29, 2014 and is in respect of the period from January 1, 2014 to March 31, 2014. 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 March 31, 2014 it owned and operated storage facilities in seven Canadian cities, six of which include the PUPS – Portable Units for Portable Storage (“PUPS”) portable storage system:

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

The newest PUPS operation was launched in Calgary, AB in August 2012. A typical PUPS operation will take 24 to 48 months to reach maturity.

In addition to the above, the Corporation manages five self-storage locations and two PUPS 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 will consist of one or more buildings 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 covered or 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 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 March 31, 2014, 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	535	47,325
B & B Mini Storage, Cambridge, ON	May 10, 2010	189	26,300
Parksville Mini Storage, Parksville, BC	November 1, 2010	138	22,020
Space Place Self Storage, Calgary, AB	May 1, 2012	446	34,030
Airport Road Self Storage, London, ON	March 27, 2013	<u>342</u>	<u>41,888</u>
Total		1,993	210,930
PORTABLE STORAGE			
Trans Can Mini Stor, Regina, SK	December 31, 2008	359	34,034
Kenaston Self Storage, Winnipeg, MB	--	212	19,999
Saskatoon, SK	--	289	27,244
B & B Mini Storage, Cambridge, ON	--	222	19,509
Parksville Mini Storage, Parksville, BC	--	121	11,410
Space Place Self Storage, Calgary, AB	--	<u>202</u>	<u>19,929</u>
Total		1,405	132,125

SVI also manages, on behalf of a third party owner, five self-storage facilities consisting of 2,161 units (240,072 rentable square feet) and two PUPS franchises consisting of 379 PUPS units (36,179 rentable square feet) in exchange for management fees equal to 5% of gross revenues.

Highlights for the Three Months Ended March 31, 2014

Selected financial highlights for the Corporation:

	Three Months Ended March 31	
	<u>2014</u>	<u>2013</u>
Total Revenue	1,117,806	949,332
<i>Year over Year change \$</i>	168,474	
<i>Year over Year change %</i>	17.7%	
Net Income (Loss)	(331,226)	(271,018)
<i>Year over Year change \$</i>	(60,208)	
<i>Year over Year change %</i>	-22.2%	
Funds from Operations		
From operating properties	337,707	301,156
From non-operating activities	(351,493)	(238,531)
Total	<u>(13,786)</u>	<u>62,625</u>
<i>Year over Year change \$</i>	(76,411)	
<i>Year over Year change %</i>	-122.0%	

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 most recently completed fiscal year. “New Sites” are those that were acquired or launched in 2013 or 2014.

<u>Revenue Summary</u>	<u>Three Months Ended March 31</u>		<u>Year over Year Change</u>	
	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
Existing Sites				
Self Storage	621,824	583,763	38,061	6.5%
PUPS	414,997	358,578	56,419	15.7%
	<u>1,036,821</u>	<u>942,341</u>	<u>94,480</u>	<u>10.0%</u>
New Sites				
Self Storage	74,964	1,311	73,653	5618.1%
PUPS	-	-	-	-
	<u>74,964</u>	<u>1,311</u>	<u>73,653</u>	<u>5618.1%</u>
Other	6,021	5,680	341	6.0%
Total				
Self Storage	696,788	585,074	111,714	19.1%
PUPS	414,997	358,578	56,419	15.7%
Other	6,021	5,680	341	6.0%
	<u>1,117,806</u>	<u>949,332</u>	<u>168,474</u>	<u>17.7%</u>

Year over year revenue at Existing self-storage operations grew by \$38,061 or 6.5% year over year. The greatest improvement was at the Kenaston facility in Winnipeg, where year over year revenue increased 7.5%. Revenues from B&B, as well as from management fees also showed an improvement in 2014 compared to 2013. Other sites produced similar revenues in Q1 2014 compared to Q1 2013. These self-storage facilities provide the Corporation with a relatively consistent and predictable cash flow to undertake operations and growth.

PUPS operations at Existing Sites experienced a revenue increase of \$56,419 or 15.7% in Q1 2014 compared to Q1 2013. All sites produced similar, or improved results year over year. The biggest gains were registered in Calgary, where the lease-up phase is continuing. In Calgary, the year over year increase in Q1 rental revenues was \$39,512 or 171.8%.

Net Income/(Loss) Summary

	<u>Three Months Ended March 31</u>		<u>Year over Year Change</u>	
	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
Existing Sites				
Self Storage	102,243	39,375	62,868	159.7%
PUPS	(64,090)	(57,586)	(6,504)	-11.3%
	<u>38,153</u>	<u>(18,211)</u>	<u>56,364</u>	<u>-309.5%</u>
New Sites				
Self Storage	(15,912)	(6,895)	(9,017)	-130.8%
PUPS	-	-	-	-
	<u>(15,912)</u>	<u>(6,895)</u>	<u>(9,017)</u>	<u>-130.8%</u>
Corporate activities	(353,467)	(245,912)	(107,555)	-43.7%
Total				
Self Storage	86,331	32,480	53,851	165.8%
PUPS	(64,090)	(57,586)	(6,504)	-11.3%
Other	(353,467)	(245,912)	(107,555)	-43.7%
	<u>(331,226)</u>	<u>(271,018)</u>	<u>(60,208)</u>	<u>-22.2%</u>

The Net Loss of the Corporation increased by \$60,208 in Q1 2014 compared to Q1 2013, from a net loss of \$271,018 to a net loss of \$331,226.

In the Existing self-storage operations, the year over year net income improved by \$62,868 or 159.7%. Gains were made at Calgary Space Place, Trans Can and Kenaston, where occupancy rates moved up towards historical Q1 levels after uncharacteristically low levels in Q1 2013. The winter months of 2013 were particularly harsh, with the Corporation having to incur significant costs for utilities and snow removal. While the winter of 2014 was likewise very cold in many parts of the country, the snow removal costs were not as large as the previous year.

The net loss of \$57,586 from Existing PUPS sites in Q1 2013 increased to a net loss of \$64,090 in Q1 of 2014. The PUPS sites in Regina, Saskatoon and Winnipeg accounted for the increased loss. Management believes that this is primarily due to the cold weather on the Prairies through much of Q1 which suppressed demand for portable storage.

The increase in the year over year loss from Corporate activities is due to the timing of management fee payments. Each year, the Corporation pays a performance fee to Detteson Management Inc. based on the previous year's audited financial results (see "Related Party Transactions"). In 2013, this fee which amounted to \$78,598 was paid in the second quarter of the fiscal year. In 2014, the fee, totaling \$99,131, was paid in first fiscal quarter.

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. 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.

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. Some room exists for pricing adjustments to generate higher occupancy rates; however, management is very careful not to price its offerings such that it loses competitive advantages.

Management believes PUPS portable storage is poised for continued growth in all locations where PUPS are offered. Television and on-line advertising campaigns will continue to be used to educate the marketplace on the benefits of the product throughout 2014. These costs will be focused in the spring of 2014 to capitalize on the summer rental season. The Corporation also intends to launch a smaller advertising campaign in the fall of 2014 to attract customers who may need seasonal storage for the upcoming winter.

In 2013, the Corporation implemented a national Call Centre to provide improved customer service, to serve as a daily back-up to on-site managers who are temporarily occupied with other customers, and to provide personalized customer service outside of normal business hours. The Call Center has also been enabled to engage potential customers on the corporate website through the use of on-line chats. During peak rental seasons, the call center is staffed by up to three representatives and operates up to 12 hours per day, including weekends. The incremental cost to the Corporation of this Call Centre is predominately in the form of additional staff wages. However, management expects the benefits of being able to reach more customers, across multiple time zones, with well trained and knowledgeable sales staff will more than offset the cost. Results have been favorable with a portion of the year over year growth in revenues being attributed to call center activities.

From 2008 through 2011, there was little activity in terms of new builds of self-storage facilities in the cities where the Corporation operates, as low cost debt financing was more difficult to find. 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 moved into Winnipeg and Regina (although this competitor offers a slightly different portable storage service utilizing reclaimed ocean shipping containers). We also note that a new self-storage facility is currently being built in the south end of Regina. The effects, if any, of this new facility on the operations of Trans Can is not determinable at this time. In 2012 the Winnipeg market saw the addition of at least 5 new facilities. Other cities served by the Corporation will inevitably encounter new competition in upcoming years – especially if financing from lenders continues its trend to be low cost and relatively easy to obtain.

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 past years.

A major focus for the Corporation for 2014 will be the continued growth of Existing 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. In addition, the Corporation is experiencing a noticeable demand from customers who want to physically relocate their possessions to a new city. Management believes this inter-city moving will become a material revenue source in future months and is implementing processes to adequately meet the expected demand, including plans to expand the PUPS network by launching PUPS operations in two more Canadian cities in 2014.

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 May 26, 2014, the Corporation acquired from an arm's length third party a property located in Edmonton, Alberta. The aggregate purchase price was \$1,500,000 (subject to customary adjustments). The purchase price payment terms for the acquisition were: (i) a \$50,000 initial refundable deposit; (ii) a second \$50,000 deposit (refundable in certain circumstances) to be paid within 7 business days from the removal of the due diligence conditions; and (iii) a final payment of \$1,400,000 to be paid at closing. The acquired property is approximately 3.0 acres in size and is located in the Maple Ridge Industrial Park in Edmonton, Alberta. Approximately 1.5 acres of the acquired property is developed as a compacted gravel compound, which includes an office dwelling and a 2300 sq. ft. steel framed building on a concrete pad. The Corporation intends to launch and operate a portable storage business from the location to serve the City of Edmonton and the surrounding area.

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, 2013, 2012, and 2011 is as follows.

	<u>Fiscal Year Ended December 31, 2013</u>	<u>Fiscal Year Ended December 31, 2012</u>	<u>Fiscal Year Ended December 31, 2011</u>
Total Revenue	\$4,896,159	\$4,007,995	\$3,885,105
Net Income / (Loss)			
Total	(\$ 788,724)	(\$ 797,861)	(\$ 292,573)
Per share, basic and diluted	(\$0.024)	(\$0.024)	(\$0.009)
Total Assets	\$25,714,728	\$23,629,643	\$17,803,840
Long Term Liabilities	\$20,818,778	\$18,179,971	\$12,148,449
Dividends declared-common shares	nil	nil	nil

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:

	2014 Fiscal Year ('000 omitted)					2013 Fiscal Year ('000 omitted)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Fixed Storage										
Property Revenue**	697	-	-	-	697	585	688	709	745	2,727
Operating Costs	298	-	-	-	298	244	292	318	292	1,146
NOI	399	-	-	-	399	341	396	391	453	1,581
NOI Margin	57.2%				57.2%	58.3%	57.6%	55.1%	60.8%	58.0%
PUPS Portable Storage										
Property Revenue	415	-	-	-	415	359	565	710	513	2,147
Operating Costs	267	-	-	-	267	218	358	406	267	1,249
NOI	148	-	-	-	148	141	207	304	246	898
NOI Margin	35.7%				35.7%	39.3%	36.6%	42.8%	48.0%	41.8%
Combined										
Property Revenue	1,112	-	-	-	1,112	944	1,253	1,419	1,258	4,874
Operating Costs	565	-	-	-	565	462	650	724	559	2,395
NOI	547	-	-	-	547	482	603	695	699	2,479
NOI Margin	49.2%				49.2%	51.1%	48.1%	49.0%	55.6%	50.9%

** 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 three months ended March 31, 2014 was \$696,788 compared to \$585,074 for the same period last year – an increase of \$111,714. Operating costs for fixed storage have increased by \$54,475 from \$243,889 to \$298,364. The NOI margin for the first quarter of the 2014 fiscal year was 57.2% compared to the 58.3% experienced in 2013. Revenues and operating costs increased because of the addition of Airport Road Self Storage in London in March 2013. Operating costs were further impacted by Call Centre costs, thereby reducing the overall NOI margin by 1.1%.

The revenue from PUPS operations was \$414,997 in the first three months of 2014, an increase of \$56,419 over the \$358,578 earned from PUPS in the same three months of 2013. This growth is reflective of the maturing of the PUPS operations in Regina, Saskatoon Winnipeg and Cambridge. Also contributing was the rapid growth of the Calgary PUPS location, which was launched in the fall of 2012. The development of a PUPS operation typically takes 2 to 4 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 March 31, 2014, the Corporation had 1,405 containers in its fleet – an increase of 17.6% over the 1,195 on hand at March 31, 2013.

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

	2014 Fiscal Year				2013 Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fixed Storage								
Trans Can Mini Stor, Regina, SK	74.1%	-	-	-	67.6%	72.9%	76.7%	73.8%
Kenaston Self Storage, Winnipeg, MB	88.8%	-	-	-	81.2%	89.4%	89.9%	85.4%
B&B Mini Storage, Cambridge, ON	90.5%	-	-	-	78.8%	88.4%	91.0%	88.4%
Parksville Mini Storage, Parksville, BC	76.1%	-	-	-	76.1%	72.5%	69.0%	69.0%
Space Place Self Storage, Calgary, AB	85.4%	-	-	-	83.7%	88.2%	84.8%	82.8%
Airport Road Self Storage, London, ON	68.1%	-	-	-	71.7%	76.4%	68.1%	62.9%

Management considers a long term average occupancy rate of 85% as optimal (giving effect for seasonal variations). Any lower, and the assets are not being used efficiently. Any higher, and it is indicative that pricing may not be in line with demand. With the exception of the Airport Road site, the March 31, 2014 occupancy rate at all locations met or exceeded the rate as at March 31, 2013. In Regina and Winnipeg, the local markets have absorbed much of the new rental space that came on line from competitors' new facilities built in the last two years. For many of the sites in Western Canada, the winter of 2013 was long and severe. This negatively influenced the 2013 rates. In September 2013, the Corporation made a change of on-site management at the London site, in part to help improve the occupancy figures. The improved occupancy rates over Q4 of 2013 at that site are indicating that the change has had a material positive impact.

Occupancy percentages alone do not tell the whole story when it comes to PUPS. This is because the 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 711 at the end of March, 2013 to 785 by the end of March, 2014. This represents an increase of 10.4%.

Property Net Operating Income (NOI)

As with revenues, the analysis of NOI can be divided into Existing Sites and New Sites. Self-storage NOI is often more stable year over year, as the gains to be made there are mostly from changes in occupancy of a fixed number of units or from cost efficiencies. This segment of the Corporation's operations continues to provide stable, long-term and predictable cash flow. PUPS NOI can vary more widely, depending on the number of units in the rental fleet at any point in time, and upon outside factors such as weather conditions.

The Q1 NOI has improved year over year by \$64,326, for a growth of 13.3%. Approximately one-third of this improvement is a direct result of the increased year over year occupancy of the Existing self-storage facilities. One-half of the total improvement is from the addition of the Airport Road site, which was acquired in late March, 2013. The NOI at the Existing PUPS site accounted for the balance of the NOI growth. Most of this is, in turn, attributable to the site launched in Calgary in late 2012, which is still in lease-up.

Property NOI

	<u>Three Months Ended March 31</u>		<u>Year over Year Change</u>	
	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
Existing Sites				
Self Storage	367,522	343,288	24,234	7.1%
PUPS	148,033	140,946	7,087	5.0%
	<u>515,555</u>	<u>484,234</u>	<u>31,321</u>	<u>6.5%</u>
New Sites				
Self Storage	30,902	(2,103)	33,005	-1569.4%
PUPS	-	-	-	-
	<u>30,902</u>	<u>(2,103)</u>	<u>33,005</u>	<u>-1569.4%</u>
Total				
Self Storage	398,424	341,185	57,239	16.8%
PUPS	148,033	140,946	7,087	5.0%
	<u>546,457</u>	<u>482,131</u>	<u>64,326</u>	<u>13.3%</u>

Interest income

Interest income for the three months ended March 31, 2014 was \$5,103, compared to \$5,511 for 2013. 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 three months ended March 31, 2014 were \$269,963 compared to \$160,941 for the previous fiscal year. As a percentage of storage related revenue, S, G & A costs were 24.3% in 2014 compared to 17.1% in 2013. 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 three months ended March 31, 2014 were as follows:

- Management fees paid to Detteson Management Inc. of \$143,689 (March 31, 2013 - \$43,260). Each year, the Corporation pays a performance fee to Detteson Management Inc. based on the previous year's audited financial results. In 2013, this fee which amounted to \$78,598 was paid in the second quarter of the fiscal year. In 2014, the fee, totaling \$99,131, was paid in first fiscal quarter. See discussion of "Related Party Transactions" below.
- Professional fees of \$31,391 (March 31, 2013 - \$35,697). Legal work for general corporate matters, and support mortgage and term debt re-financings amounted to \$12,715 in Q1 2014. Accruals and billings for audit and other financial work relating to the Corporation made up the balance of \$18,676.
- Salaries of \$45,092 (March 31, 2013 - \$36,373). 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
2014- Q1	\$1,117,806	(\$331,226)	(\$0.010)	(\$0.010)	\$26,097,965	\$20,567,212	-
Total 2014	\$1,117,806	(\$331,226)	(\$0.010)	(\$0.010)	N/A	N/A	-
2013- Q4	\$1,263,287	(\$120,230)	(\$0.004)	(\$0.004)	\$25,714,728	\$20,818,777	-
2013- Q3	\$1,425,081	(\$109,614)	(\$0.003)	(\$0.003)	\$25,921,487	\$20,803,719	-
2013- Q2	\$1,258,459	(\$287,862)	(\$0.009)	(\$0.009)	\$26,116,230	\$20,558,286	-
2013- Q1	\$ 949,332	(\$271,018)	(\$0.008)	(\$0.008)	\$26,503,400	\$20,985,405	-
Total 2013	\$4,896,159	(\$788,724)	(\$0.024)	(\$0.024)	N/A	N/A	-
2012- Q4	\$ 994,072	(\$247,537)	(\$0.007)	(\$0.007)	\$23,629,643	\$18,179,970	-
2012- Q3	\$1,106,859	(\$132,426)	(\$0.004)	(\$0.004)	\$20,935,772	\$15,679,222	-
2012- Q2	\$1,118,181	(\$237,267)	(\$0.007)	(\$0.007)	\$20,806,433	\$15,425,731	-
2012- Q1	\$ 788,883	(\$180,631)	(\$0.006)	(\$0.006)	\$17,509,108	\$11,993,423	-
Total 2012	\$4,007,995	(\$797,861)	(\$0.024)	(\$0.024)	N/A	N/A	-

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Corporation had \$830,612 of cash and short term deposits compared to \$217,942 at December 31, 2013. 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 Three Months Ended March 31, 2014" 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. In February, 2014, the Corporation raised an additional \$1,000,000 through a non-brokered private placement of common shares.

The Corporation believes it is not in default or arrears on any of its debt obligations. As at March 31, 2014, the Corporation had total mortgage debt outstanding of \$15,136,764 at interest rates ranging from 4.00% to 5.15% and maturities ranging from November 2015 to May 2030. The Corporation also had term debt totaling \$1,105,466 with interest rate at 4.00% and maturity of November, 2017.

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 March 31, 2014, the Corporation had assets with a total book value of \$14,184,772 (December 31, 2013 - \$8,225,611) pledged to this segment. As at March 31, 2014, the Corporation had drawn \$12,570,069 (December 31, 2013 - \$7,810,197) on this segment and, based on a percentage of the appraised value of the assets pledged to date, \$5,694,281 remains available to be drawn.
2. Facility 2: authorized up to \$2,000,000 for the acquisition of PUPS portable storage containers. As at March 31, 2014, the Corporation had drawn \$634,519 (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 March 31, 2014, the Corporation had drawn \$470,947 (December 31, 2013 - \$500,719) on this segment.

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 March 31, 2014, 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 "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.

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>
2014 (balance of year)	\$ 822,673	\$543,918	\$1,366,591
2015	\$1,098,411	\$693,995	\$1,792,406
2016	\$1,100,222	\$662,285	\$1,762,507
2017	\$1,102,125	\$630,338	\$1,732,463
2018	\$1,009,383	\$599,785	\$1,609,168

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 three months ended March 31, 2014 and 2013 were (\$13,786) and \$62,625, respectively. The first quarter of each fiscal year typically incurs the lowest FFO levels as occupancies are lower, and operating costs such as utilities and snow removal are higher. In Q1 2014, the Corporate also paid the Detteson Management Inc. performance fee (see "Related Party Transactions") which in past years has been paid later in the year which caused the Q1 2014 FFO to be negative.

A summary of FFO by fiscal quarter is as follows:

	<u>2014 Fiscal Year ('000 omitted)</u>					<u>2013 Fiscal Year ('000 omitted)</u>				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
Net Income/(Loss)	(331)	-	-	-	(331)	(271)	(288)	(110)	(120)	(789)
Add:										
Amortization	317	-	-	-	317	333	362	341	361	1,397
Stock based comp.	-	-	-	-	-	-	-	-	-	-
Future inc. taxes	-	-	-	-	-	-	-	-	-	-
FFO	(14)	-	-	-	(14)	62	74	231	241	608

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.

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 are as follows:

Less than one year	\$ 59,783
Between one and five years	250,047
More than five years	516,764

RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2014, the Corporation paid total management fees of \$143,689 (March 31, 2013 - \$43,260) 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 three months ended March 31, 2014, for performance fee relating to the prior fiscal year was \$99,131 (March 31, 2013 - \$nil).

During the three months ended March 31, 2014, the Corporation reimbursed travel and related expenses of \$16,008 (March 31, 2013 - \$9,525) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three months ended March 31, 2014, the Corporation paid loan guarantee fees of \$2,178 (March 31, 2013 - \$2,178) to Alan A. Simpson and loan guarantee fees of \$2,178 (March 31, 2013 - \$2,178) 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 three months ended March 31, 2014, the Corporation paid \$23,163 (March 31, 2013 - \$15,371) for royalties and \$40,190 (March 31, 2013 - \$387,260) 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 March 31, 2014 was \$5,360 (December 31, 2013 - \$111,920) payable to CPFII and \$2,602 (December 31, 2013 - \$53,823) 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 5 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 – 2011/12			(239,500)	
Cancelled under Normal Course Issuer Bid – 2012/13			(115,500)	
Private placement – February 25, 2014			<u>3,333,333</u>	
Outstanding Common Shares			<u>36,689,044</u>	
<u>Preferred Shares:</u>				
Series I- tranche 1	March 17, 2015	\$0.30	2,000,000	6,666,667
Series I- tranche 2	October 15, 2015	\$0.30	2,000,000	6,666,667
Stock Dividends		\$0.30	<u>387,426</u>	<u>1,291,420</u>
Outstanding Preferred Shares			<u>4,387,426</u>	14,624,754
<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	2,200,000	2,200,000
Warrants	February 25, 2018	\$0.37	2,833,334	2,833,334
Warrants	February 25, 2018	\$0.35	<u>499,999</u>	<u>249,999</u>
Outstanding options and warrants			<u>6,533,333</u>	6,283,333
				20,908,087

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 Corporation adopted amendments to IFRS 7, IAS 32, IAS 36 and IFRIC 21 on January 1, 2014. There was no material impact to the Corporation's interim consolidated financial statements as a result of the adoption of those standards. 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. There have been no pronouncements in addition to those disclosed in the December 31, 2013 annual audited financial statements.