

**StorageVault Canada Inc.**  
**(the "Corporation")**

**Form 51-102F1**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2009**

This management's discussion and analysis (MD&A) should be read in conjunction with the Corporation's financial statements and notes to the financial statements for the three and nine months ended September 30, 2009 and the audited financial statements and notes to the financial statements for fiscal year ended December 31, 2008. 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.

This MD&A contains forward-looking information. 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: the early stage development of the Corporation; capital market conditions; general business and economic uncertainties; competition; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Corporation; timing and availability of external financing on acceptable terms; 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](http://www.sedar.com).

This MD&A is dated November 18, 2009 and is in respect of the period from January 1, 2009 to September 30, 2009. The discussion in the MD&A focuses on this period.

## NON-GAAP FINANCIAL MEASURES

The Corporation uses non-GAAP 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 Canadian generally accepted accounting principles (“GAAP”) do not have a standardized meaning and may not be comparable to similar measures used by other companies. Such non-GAAP 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, future income taxes and after adjustments for equity accounted entities and non-controlling interests. The Corporation believes that FFO can be a beneficial measure, when combined with primary GAAP measures, 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. It owns and operates self storage operations in Regina, SK and Winnipeg, MB.

The Corporation provides both “fixed” and “portable” self storage. Fixed self storage is sometimes referred to as mini-storage. Under this model, the customer rents a storage space in the operator’s building to store personal or commercial possessions. Rental is usually paid monthly, although longer term agreements are sometimes arranged. 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, out door parking spaces for boats, cars and recreational vehicles.

Through its Canadian Master Franchise agreement with Canadian PUPS Franchises Inc. (PUPS), 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 yard for longer term storage. The PUPS model generates revenue through both the rental of the storage container, and the charges 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 customers that:

- would not normally use a traditional fixed storage facility because they do not have the means to transport their possessions.
- are moving between locations and need temporary storage, but do not want to move their possessions to a fixed storage unit, only to move them 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 required to run 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 facilitates 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 did not know about the existence of portable storage can be up-sold to a premium product.

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.

## Significant Transactions

On October 14, 2008, the Corporation announced that it had entered into an arm's length Option to Purchase Agreement for the assets and business operations of Kenaston Self Storage Inc. in Winnipeg, MB for the purchase price of \$7.15 million. On January 3, 2009 the Corporation exercised the Option. On March 2, 2009, the Corporation completed the transaction. As a result of the transaction, the Corporation's total assets increased to \$11,839,487 as of March 31, 2009.

Kenaston Self Storage consists of two properties. One property is located at 21 Lawson Crescent in Winnipeg. It is approximately 2.75 acres, with 4 storage buildings comprising a total of 536 storage units. The second property is at 87 Lawson Crescent in Winnipeg. This property has no buildings. It has approximately 190 outdoor rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at 87 Lawson Crescent toward a portable storage operation.

The purchase price was paid by \$3,750,000 of bank mortgage financing, issuance of \$500,000 of the Corporation's common shares at a price of \$0.23 per share to the vendor, and the remainder in cash.

On June 1, 2009, the Corporation announced the signing of a Proof of Concept Agreement with Conundrum Capital Corporation (Conundrum) and CSSL Sub LP, on behalf of a fund managed by Conundrum (the "Fund"). The parties have agreed to proceed with a Canadian PUPS portable storage proof of concept trial at Conundrum's self storage facility in Kanata, ON. Pursuant to the agreement, the Fund has agreed to fund the trial, pay for the portable storage containers to be used in the trial, and has agreed to pay a 5% management fee and a 3.5% franchise fee (on PUPS revenue only) to the Corporation. For the purpose of evaluating the success of the trial, the Parties developed a business plan that includes measurable benchmarks. Following the trial, should the benchmarks be obtained, the Parties will use their reasonable best efforts to enter into a funding/investment arrangement to permit the acquisition of self storage facilities in major Canadian centers and the rollout of the PUPS strategy at those facilities. If the funding/investment agreement is not completed, there are provisions for the purchase by the Corporation of the PUPS containers at a discounted purchase price as well as a one-time lump sum payment to the Corporation of \$60,000 or \$100,000 depending on the success of the trial.

During the third quarter of 2009, Conundrum purchased 86 PUPS containers and the container handling equipment necessary to operate a PUPS location. Operations began on September 1, 2009. As at September 30, 2009, the Kanata location has 19 PUPS containers rented and the trial is continuing.

## Portfolio

As at September 30, 2009, the Corporation owned and operated two fixed storage facilities. With each of these facilities is a PUPS portable storage operation. In addition, management determined that the Saskatoon, SK portable storage market was under-served. As there were no viable self storage facilities in Saskatoon available for acquisition, management opened a stand-alone PUPS operation in a rented warehouse location. This allows the Corporation to gain and grow a foothold in Saskatoon until such time as a self storage facility becomes available. Containers and related delivery equipment were acquired during Q3 of 2009. The Saskatoon PUPS operation commenced operations on October 1, 2009 and is in the early stages of lease-up

	<u>Acquired</u>	<u>Units</u>	<u>Rentable Square Feet</u>
<b>FIXED STORAGE</b>			
Trans Can Mini Stor, Regina, SK	May 1, 2008	351	39,480
Kenaston Self Storage, Winnipeg, MB	March 2, 2009	<u>532</u>	<u>46,925</u>
Total		883	86,405
<b>PORTABLE STORAGE</b>			
Trans Can Mini Stor, Regina, SK	December 31, 2008	264	22,025
Kenaston Self Storage, Winnipeg, MB		100	9,925
Saskatoon, SK		<u>26*</u>	<u>2,540*</u>
Total		390	34,490

\* In lease-up.

## Outlook

In Saskatchewan and Manitoba, the outlook for self storage remains favorable. Rental rates are competitive but do allow for an adequate return. The population continues to grow and there is no apparent excess of self storage space in the market.

On a national scale, the self storage industry is being affected by the economic recession as Canadian lending institutions have significantly decreased their appetite for providing mortgage financing for new self storage projects. In one respect, this has been positive for the Corporation as it has virtually stopped the development of new competitors in the marketplace.

The reduced availability of credit is also showing up in the resale market. Less availability of low-cost credit means buyers must acquire facilities at a better price to maintain adequate cash flows. Vendors have been slow to react, apparently reluctant to move away from the low cap rates that were prevalent before the economic meltdown. And buyers, if they do find a feasible acquisition target, need to work significantly harder to secure adequately priced equity or debt.

Management believes the Corporation is well positioned to weather the current recession. Mortgage debt on Trans Can Mini Stor has a fixed payment and favorable interest rate until the completion of its first term in 2016. The mortgage payments on Kenaston Self Storage are fixed until 2014. This is important as it does not expose the Corporation to the risk of having to re-negotiate mortgages while credit is tight. While the Corporation's goal is to continue expanding its network of fixed and portable storage operations, it has the flexibility to hasten or slow the pace of acquisitions as the equity and debt markets dictate.

## RESULTS OF OPERATIONS

### Selected Annual Financial Information

The Corporation was incorporated on May 31, 2007. A summary of selected financial information for the Corporation's fiscal year ended December 31, 2008, and fiscal period (seven months) ended December 31, 2007 is as follows:

	<u>Fiscal Year Ended</u> <u>December 31, 2008</u>	<u>Seven Months Ended</u> <u>December 31, 2007</u>
Total Revenue	\$332,706	\$ 6,027
Net Income / (Loss)		
Total	(\$ 252,198)	(\$ 111,029)
Per share, basic and diluted	(\$ 0.019)	(\$ 0.018)
Total Assets	\$ 7,787,203	\$ 1,342,978
Long Term Financial Liabilities	\$ 2,004,657	nil

### 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. At the same time, the Corporation incurs some one-time expenses when a PUPS location is opened. These costs may include labor, training, travel, advertising or office expenses. The Q2 – 2009 results were affected by the acquisition of Kenaston Self Storage and the start-up of PUPS in Winnipeg. The Q3 – 2009 results continue to bear the costs of start up at PUPS in Winnipeg. As well, costs for renting space, training staff and outfitting the new PUPS location in Saskatoon, SK are included in Q3.

Revenues have generally shown a quarter over quarter growth because of the acquisitions noted above in the section entitled "Portfolio". This trend is expected to continue as the Corporation pursues a strategy of acquisitions and growth.

A summary of the results of operations is as follows:

	2009 Fiscal Year					2008 Fiscal Year				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
<b>Fixed Storage</b>										
Property Revenue	164,250	337,081	357,066	-	858,397	-	72,319	119,205	112,673	304,197
Operating Costs	56,298	105,868	110,022	-	272,188	-	12,703	24,390	30,550	67,643
NOI	107,952	231,213	247,044	-	586,209	-	59,616	94,815	82,123	236,554
NOI Margin	65.7%	68.6%	69.2%	-	68.3%	-	82.4%	79.5%	72.9%	77.8%
<b>PUPS Portable Storage</b>										
Property Revenue	86,564	127,390	164,665	-	378,619	-	-	-	-	-
Operating Costs	28,068	62,634	102,326	-	193,028	-	-	-	-	-
NOI	58,496	64,756	62,339	-	185,591	-	-	-	-	-
NOI Margin	67.6%	50.8%	37.9%	-	49.0%	-	-	-	-	-
<b>Combined</b>										
Property Revenue	250,814	464,471	521,731	-	1,237,016	-	72,319	119,205	112,673	304,197
Operating Costs	84,366	168,502	212,348	-	465,216	-	12,703	24,390	30,550	67,643
NOI	166,448	295,969	309,383	-	771,800	-	59,616	94,815	82,123	236,554
NOI Margin	66.4%	63.7%	59.3%	-	62.4%	-	82.4%	79.5%	72.9%	77.8%

### Revenue from Income Producing Properties

Operating revenue from income producing properties for the three and nine months ended September 30, 2009 was \$521,731 and \$1,237,016, respectively; compared to \$119,025 and \$191,344, respectively, for the same period last year. The increase over Q3 of 2008 reflects the addition of PUPS in Regina, Winnipeg and Saskatoon, and Kenaston Self Storage in Winnipeg.

Revenue in Q3 of 2009 increased by \$57,260, or 12.3% compared with Q2. This increase was experienced to some degree in all of the Corporation's locations as the Q3 summer months are historically the busiest and highest occupancy months for storage. In particular, the continued lease-up of PUPS in Winnipeg added \$27,251 of additional revenue, with Q3 totaling \$39,484 compared to \$12,233 in Q2.

A summary of unit occupancy rates at the end of each fiscal quarter is as follows:

	2009 Fiscal Year				2008 Fiscal Year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Fixed Storage</b>								
Trans Can Mini Stor, Regina, SK	78.9%	81.2%	81.8%	-	*	95.7%	93.4%	83.2%
Kenaston Self Storage, Winnipeg, MB	73.5%	86.0%	90.6%	-	*	*	*	*
<b>Portable Storage</b>								
Trans Can Mini Stor, Regina, SK	76.7%	94.4%	91.7%	-	*	*	*	*
Kenaston Self Storage, Winnipeg, MB	-	39.0%	60.0%	-	*	*	*	*
Saskatoon, SK	-	-	-	-	-	-	-	-

\* property not owned by the Corporation at this time

Occupancy rates in Regina fixed storage have improved marginally in Q3 compared to Q2, but have not returned to the levels seen in 2008. It seems apparent that last year's occupancy rates were propelled to unusually high levels during the housing boom that hit Regina in the summer of 2008. In Winnipeg, the demand for fixed storage continues to grow. The Kenaston Self Storage facility is proving to be in a very favorable location in the city. As the residential and commercial development continues in a number of neighborhoods around the facility, the occupancy continues to grow to unprecedented levels.

Occupancies at the portable storage location in Regina held relatively constant over the summer, with Q3 ending at 91.7% versus 94.4% at the end of Q2. As occupancy figures are at a given point in time, they can vary from one period end to the next depending on a number of factors, including whether the period end falls on a weekend or statutory holiday, or if the weather is particularly unfavorable on that day. Overall revenue for Regina PUPS in Q3 at \$125,181 was actually \$10,024 higher than in Q2 due to stronger activity throughout the respective periods. In Winnipeg, PUPS occupancy grew from 39% to 60%. This growth was aided by the release of the Yellow Pages directory in Winnipeg in July. The Yellow Pages drive a significant portion of PUPS rental activity, and the current issue of the directory was the first to contain PUPS advertising.

Management is encouraged by the relatively strong occupancy rates that exist today despite the continued economic slowdown that has affected world economies since the autumn of 2008. Generally speaking, storage facilities do not tend to experience swings in demand as drastic as those seen in the broader market. Customers need storage in times of good economic conditions as they renovate or move to new homes and offices. On the other hand, there exists demand for storage in declining markets as homeowners and business downsize or temporarily store goods while waiting for, or moving to, better economies. A larger concern is the decrease in personal discretionary income as the recession persists. Delinquencies in accounts receivable have a tendency to increase. Management must be ready to take the necessary steps when accounts become overdue to stem the potential bad debts.

### **Property Net Operating Income (NOI)**

NOI from operations for the three and nine months ended September 30, 2009 was \$309,383 and \$771,800, respectively. These are increases of \$214,568 and \$617,369 over the same periods last year. Increases are due to the new properties and operations added to the portfolio in the past 12 months.

### **Interest income**

Interest income for the three and nine months ended September 30, 2009 was \$5,268 and \$9,251, respectively. 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.

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

S, G & A expenses for three and nine months ended September 30, 2009 were \$64,256 and \$265,413, respectively, compared to \$46,226 and \$253,211, respectively, for the same periods last year. The increase of \$18,030 for three months ended September 30, 2009 compared to 2008 is due mainly because the Corporation is larger, and has a broader scope in 2009. This resulted in year over year increases in categories such as travel, promotion and director and officer insurance. On a year-to-date basis, the 2009 and 2008 totals are quite consistent, although in this case, the underlying accounts are different. The 2008 balance included professional fees, sponsorship and other costs relating to the Corporation's Qualifying Transaction that had accumulated to \$134,030. In the current year, these costs are not required. They have been supplemented to some degree by costs relating to maintenance of public company status, and costs relating to acquisition of properties.



The three largest S, G & A items in the first nine months of 2009 were as follows:

- management fees paid to Detteson Management Inc. of \$76,083 (September 30, 2008 - \$20,000). See discussion of "Related Party Transactions" below
- Professional fees of \$100,102 (September 30, 2008 - \$37,379). In 2009, the professional fees were primarily legal fees pertaining to the acquisition of Canadian PUPS Storage Inc. and Kenaston Self Storage, audit fees for the audit of Canadian PUPS Storage Inc. for the inclusion in a Business Acquisition Report required by Canadian securities laws, and audit fees for the Corporation's 2008 fiscal year end. In the previous year, most professional fees were related to the formation of the Corporation as a Capital Pool Company, and the completion of its initial prospectus. The 2008 Qualifying Transaction costs noted above also include a professional fees relating directly to that transaction.
- Investor Communication costs of \$20,067 (September 30, 2008 - \$5,743). The Corporation held its first annual general meeting in March of 2009. The investor communication costs included all legal, mailing, printing and related costs for hosting this meeting as well as the typical costs for press release and shareholder accounts maintenance.

#### 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
2009- Q3	\$526,999	(\$80,369)	(\$0.002)	(\$0.002)	\$11,944,446	\$6,009,463	-
2009- Q2	\$464,668	(\$430,280)	(\$0.013)	(\$0.013)	\$12,091,233	\$6,075,881	-
2009- Q1	\$254,600	(\$174,535)	(\$0.005)	(\$0.005)	\$11,839,487	\$5,737,813	-
<b>Total 2009</b>	<b>\$1,246,267</b>	<b>(\$685,184)</b>	<b>(\$0.021)</b>	<b>(\$0.021)</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>
2008- Q4	\$127,580	(\$38,340)	(\$0.002)	(\$0.002)	\$7,787,023	\$2,004,657	-
2008- Q3	\$120,033	(\$28,192)	(\$0.003)	(\$0.003)	\$2,892,717	\$1,680,232	-
2008- Q2	\$76,285	(\$106,349)	(\$0.011)	(\$0.011)	\$2,949,893	\$1,693,060	-
2008- Q1	\$8,808	(\$79,317)	(\$0.008)	(\$0.008)	\$1,269,873	-	-
<b>Total 2008</b>	<b>\$332,706</b>	<b>(\$252,198)</b>	<b>(\$0.019)</b>	<b>(\$0.019)</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>
2007 - Q4	\$6,027	(\$97,148)	(\$0.015)	(\$0.015)	\$1,342,978	-	-
2007 - Q3	-	(\$13,881)	(\$0.003)	(\$0.003)	\$493,719	-	-
2007 - Q2	-	-	-	-	-	-	-
2007 - Q1	-	-	-	-	-	-	-
<b>Total 2007</b>	<b>\$6,027</b>	<b>(\$111,029)</b>	<b>(\$0.018)</b>	<b>(\$0.018)</b>	<b>N/A</b>	<b>N/A</b>	<b>-</b>

During the period, the Corporation declared no cash dividends.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2009, the Corporation had \$302,142 of cash and short term investments compared to \$3,463,784 at December 31, 2008. The decrease in cash is attributable in most part to the acquisition of Kenaston Self Storage, which required \$2,912,000 of cash to close.

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.

The Corporation is not in default or arrears on any of its debt obligations. There is no long term debt maturing in 2009. As at September 30, 2009, the Corporation had total mortgage debt outstanding of \$5,351,198 at interest rates ranging from 5.72% to 6.45%. The Corporation also had term debt totaling \$160,930 and unsecured convertible debentures totaling \$320,000 at September 30, 2009 with interest rates ranging from 7.1% to 9.5% and maturities ranging from January 2011 to May 2014. The following chart summarizes the Corporation's financial commitments for debt principal and interest payments for the next five years:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009 (balance of year)	\$ 64,694	\$ 93,132	\$157,826
2010	\$269,686	\$361,614	\$631,300
2011	\$274,643	\$344,180	\$618,823
2012	\$249,782	\$326,541	\$576,323
2013	\$244,981	\$311,243	\$556,224

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-GAAP 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 StorageVault Canada Inc. has varied significantly over the past several fiscal quarters. The Corporation has incurred significant startup costs (including legal and audit fees) in certain periods that have adversely affected FFO. Additionally, costs relating to acquiring properties in Q4 of 2008 and Q1 of 2009 decreased FFO in those periods. FFO improved from \$132,144 in Q2 of 2009 to \$154,773 in Q3, as the increased revenues over the strong summer rental months more than exceeded the incremental cash outflows relating to the PUPS startups in Winnipeg and Saskatoon.

A summary of FFO by fiscal quarter is as follows:

	2009 Fiscal Year					2008 Fiscal Year				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Net Income/(Loss)	(174,535)	(430,280)	(80,369)	-	(685,184)	(79,317)	(106,349)	(28,192)	(38,340)	(252,198)
Add:										
Amortization	172,543	218,466	235,142	-	626,151	-	34,300	52,784	35,268	122,352
Stock based comp.	-	343,958	-	-	343,958	-	-	-	-	-
Future income taxes	-	-	-	-	-	-	-	-	(26,191)	(26,191)
FFO	(1,992)	132,144	154,773	-	284,925	(79,317)	(72,049)	24,592	(29,263)	(156,037)

### 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:

- 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. Gross Book Value is defined as the book value of consolidated assets plus accumulated depreciation on buildings and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Corporation, subject to a minimum annual advisory fee of \$100,000 (\$48,000 prior to September 1, 2009).
- 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 three and nine months ended September 30, 2009 the Corporation paid management fees of \$16,333 and \$76,083, respectively, to Detteson Management Inc. ("Detteson").

During the three and nine months ended September 30, 2009 the Corporation reimbursed travel and related expenses of \$38,221 and \$78,989, respectively, to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three and nine months ended September 30, 2009, the Corporation paid loan guarantee fees of \$2,148 and \$6,444, respectively, to Alan A. Simpson and loan guarantee fees of \$2,148 and \$6,444, respectively, 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 outstanding mortgage principal, per person.

During the three and nine months ended September 30, 2009, the Corporation paid fees for maintenance of shareholder records of \$1,063 and \$8,155, respectively, to a Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

During the three and nine months ended September 30, 2009, the Corporation issued convertible, unsecured debentures in the amount of \$nil and \$210,000, respectively, to officers, directors and spouses of directors of the Corporation. During the same periods, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$4,988 and \$4,988, respectively.

## OUTSTANDING SHARE DATA

On October 31, 2008, the Corporation completed a brokered private placement of 18,391,304 common shares of the Corporation at a price of \$0.23 per share for gross proceeds of \$4,230,000. In association with the private placement, the Corporation issued 678,696 common shares as an agency fee, and 678,696 Agent's warrants each convertible into one common share of the Corporation at a price of \$0.23 per share.

At December 31, 2008, the Corporation completed the non-arm's length acquisition of Canadian PUPS Storage (Regina). As part of the agreement, the non-arm's length vendors received 2,466,798 common shares of the Corporation at a price of \$0.23 per share for gross proceeds of \$567,364.

On March 2, 2009, the Corporation completed the arm's length acquisition of Kenaston Self Storage. As part of the agreement, the arm's length vendor received 2,173,913 common shares of the Corporation at a price of \$0.23 per share for gross proceeds of \$500,000.

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
<b><u>Common Shares:</u></b>				
Seed capital (1)			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			<u>2,173,913</u>	
			33,710,711	
<b><u>Convertible Securities:</u></b>				
Director's options	November 5, 2012	\$0.20	1,000,000	1,000,000
Agent's options	November 12, 2009	\$0.20	400,000	400,000
Agent's warrants	October 31, 2010	\$0.23	678,696	678,696
Director's options	May 6, 2014	\$0.23	<u>2,200,000</u>	<u>2,200,000</u>
			4,278,696	4,278,696
<b><u>Convertible Debt</u></b>				
Unsecured debentures	May 13, 2014	\$0.32	-	1,000,000
			37,989,407	5,278,696

(1) subject to escrow agreement dated August 27, 2007

## **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 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.

### **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 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.

### **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.

### **CHANGES IN ACCOUNTING POLICIES**

Recent accounting pronouncements not yet applied:

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP over a transition period. The transition period will end in 2011 when IFRS will be fully adopted for profit-oriented publicly accountable enterprises. The Corporation will be required to report its results in accordance with IFRS starting in fiscal 2012 and is assessing the potential impact of this changeover.

### **INTERNAL CONTROLS, DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures of the Corporation are designed to provide reasonable assurance that all material information with respect to the Corporation is made known to senior management of the Corporation, so that timely decisions can be made regarding public disclosure. The Corporation maintains appropriate information systems, procedures and controls to ensure that new information coming to the market is complete, timely and reliable.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. Internal controls over financial reporting of the Corporation are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of the Corporation for external purposes in accordance with Canadian generally accepted accounting principles.