

StorageVault Canada Inc.

(the "Corporation")

Form 51-102F1 Management's Discussion and Analysis For the Three and Nine Months Ended September 30, 2015

This management's discussion and analysis (MD&A) should be read in conjunction with the Corporation's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2015, and the audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2014. 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 and nine months ended September 30, 2015 and the audited consolidated financial statements for the year ended December 31, 2014 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 November 24, 2015 and is in respect of the period from July 1, 2015 to September 30, 2015. 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, plus depreciation, amortization, stock based compensation expenses, and deferred 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 in assessing profitability and valuation from principal business activities. “NOI Margin” is the NOI for a given time period, divided by the revenue from income producing properties for that same time period.
- c) Existing Site and New Site performance – “Existing Sites” are defined as those that the Corporation has owned or leased for the entirety of the 2015 and 2014 fiscal years. “New Sites” are those that have not been owned or leased continuously since the beginning of the previous fiscal year. We believe the use of this metric combined with primary IFRS measures is beneficial in understanding the operating performance of our operating segments. Comparative figures for the New Sites and Existing Sites categories may differ from amounts reported in previous MD&A reports

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 September 30, 2015 it owns and operates storage facilities in fifteen Canadian cities. It also owns portable storage operations under the brand names of PUPS – Portable Units for Portable Storage (“PUPS”) and Cubeit Portable Storage (“Cubeit”). PUPS or Cubeit containers are available in every Canadian Province except P.E.I. As at September 30, 2015, the Corporation had over 3,200 portable storage containers in its rental fleet.

Additionally, one PUPS location continues to operate in Ottawa, ON as a franchisee of the Corporation.

The Corporation provides both “fixed” and “portable” self-storage. At its’ fixed storage stores, a customer rents a storage space at the premises to store personal or commercial possessions. Rental agreements are usually on a 4-week or month-to-month basis. Tenants can vacate with as little as one month notice.

Through its Canadian Master Franchise agreement with Canadian PUPS Franchises Inc., and through its recently acquired Cubeit portable storage line, the Corporation also provides portable storage services. 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 portable storage container can stay at the customer’s location, or be transported to the Corporation’s premises for longer term storage. The portable storage 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.

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 within 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 December 2, 2014 the Corporation entered into a purchase agreement (the “Purchase Agreement”), with Access Self Storage Inc. (“Access”) and Cubeit Portable Storage Canada Inc. (“Cubeit”), collectively referred to as (the “Vendors”), pursuant to which the Corporation agreed to purchase certain of the self-storage assets and business of Access all of the portable storage assets and business of Cubeit (the “Purchased Assets”) for an aggregate purchase price of \$53,630,000, subject to customary adjustments (the “Proposed Acquisition”). The Vendors are not related parties to the Corporation. Pursuant to the terms of the Purchase Agreement, the Proposed Acquisition would occur in two tranches.

On April 28, 2015, the Corporation completed the closing of the first tranche in this transaction (the “First Tranche”). Pursuant to the First Tranche closing, the Corporation acquired four self-storage locations with an aggregate of approximately 1,500 rental units with approximately 133,000 square feet of rentable self-storage space and the entire Cubeit portable storage business and the rights to operate such business in Canada. The purchase price for the First Tranche was \$26,475,000 (subject to customary adjustments). For the First Tranche, the sum of \$11,480,381 was paid by the issuance of 30,211,529 common shares of the Corporation (“Common Shares”) at a deemed price of \$0.38 per Common Share. The balance of the purchase price for the First Tranche was paid in cash by drawing on the Corporation’s credit facilities. The closing of the First Tranche received final acceptance of the TSX Venture Exchange on May 20, 2015.

In conjunction with the closing of the First Tranche, the board of directors of the Corporation was reconstituted and is now composed of Alan Simpson, Rob Duguid, as the nominee of PFM Capital Inc., and, Steven Scott, Iqbal Khan, and Blair Tamblyn, as the three nominees of the Vendors.

On October 8, 2015 the Corporation completed the closing of the acquisition of the second tranche (the “Second Tranche”) of the Proposed Acquisition. See “Subsequent Events” below.

Concurrent with the closing of the First Tranche, the Corporation granted a total of 2,901,000 options to purchase common shares of the Corporation to directors, officers, employees and consultants of the Corporation, with an exercise price of \$0.41 and an expiry date of April 28, 2025.

On September 11, 2015 the Corporation completed the acquisition of four self-storage properties in the Greater Vancouver Area, British Columbia previously owned by Storage For Your Life Solutions Inc. and Carousel Ventures Ltd. The acquisition was an arm's length transaction. The four self-storage stores consist of approximately 311,750 square feet of rentable self-storage space in approximately 3,000 rental units. The purchase price for the Purchased Assets was \$52,466,000 (subject to customary adjustments), of which \$10,000,000 was paid by the issuance of 20,000,000 common shares of the at a deemed price of \$0.50 per Common Share, and the balance of the purchase price in the amount of \$42,500,000 (after standard and customary adjustments) was paid in cash and was funded through a credit agreement which was entered into in relation to the acquisition. Concurrent with the closing of this transaction, the Corporation granted a total of 2,000,000 options to purchase common shares of the Corporation to directors, officers, employees and consultants of the Corporation, with an exercise price of \$0.50 and an expiry date of September 14, 2025.

Portfolio

As at September 30, 2015, the Corporation owned and operated the following fixed storage facilities and portable storage operations:

		<u>Acquired</u>	<u>Units</u>	<u>Rentable Square Feet</u>
Diefenbaker Ave	Regina, SK	May 1, 2008	341	39,185
Lowson Crescent	Winnipeg, MB	Mar 2, 2009	534	47,300
Industrial Road	Cambridge, ON	May 10, 2010	330	37,468
Herring Gull Way	Parksville, BC	Nov 1, 2010	138	26,719
80 th Ave SE	Calgary, AB	May 1, 2012	447	34,034
Scanlan Street	London, ON	Mar 27, 2013	343	41,589
Gibson Street	North Bay, ON	Apr 28, 2015	409	43,235
Kingsway	Sudbury, ON	Apr 28, 2015	386	38,680
Napier Court	Utopia, ON	Apr 28, 2015	164	19,275
Roe Street	London, ON	Apr 28, 2015	244	33,250
73 rd Avenue	Surrey, BC	Sept 11, 2015	1,215	131,130
North Railway Avenue	Mission, BC	Sept 11, 2015	446	45,228
Barnet Highway	Coquitlam, BC	Sept 11, 2015	354	32,046
88 th Avenue East	Langley, BC	Sept 11, 2015	817	84,568
Portable Storage			<u>3,210</u>	<u>352,505</u>
			<u>9,378</u>	<u>1,006,212</u>

Highlights for the Three and Nine Months Ended September 30, 2015

Selected financial highlights for the Corporation:

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Total Revenue	3,146,945	1,483,755	6,371,125	4,006,286
Year over Year change \$	1,663,190		2,364,839	
Year over Year change %	112.1%		59.0%	
Funds from Operations				
From operating properties	1,708,537	504,853	2,875,895	1,324,300
From non-operating activities	(1,128,211)	(236,559)	(2,101,009)	(892,854)
Total	580,326	268,294	774,886	431,446
Year over Year change \$	312,032		343,440	
Year over Year change %	116.3%		79.6%	
Net Income (Loss)	(821,330)	(159,355)	(1,872,929)	(807,527)
Year over Year change \$	(661,975)		(1,065,402)	
Year over Year change %	-415.4%		-131.9%	

As discussed below under “Significant Transaction”, the Corporation acquired four self-storage facilities and a portable storage operation in the second quarter of 2015 and another 4 self-storage facilities in the third quarter. These additional assets accounted for the substantial increase in year over year revenue. These acquisitions are expected to positively affect revenues and net income in future months and years. However, in the fiscal period of acquisition, a number of disbursements are incurred and must be expensed in accordance with IFRS accounting rules. As outlined in the discussion of “Corporate selling, general and administrative (S, G & A) costs” below, the Corporation incurred \$329,097 of one-time professional fees associated with the transactions. Certain travel, training and personnel costs can also be attributed to the transition and integration of the new operations. These one-time non-operating transactional costs offset the early margins from the new assets.

The Corporation calculates its depreciation expense by using an annual declining balance method. Acquisitions that occur later in the year can affect the intra-period allocation of depreciation expense as the annual expense must be allocated over fewer than 12 calendar months. In the third fiscal quarter of 2015, the Corporation expensed \$1,199,712 of depreciation compared to \$427,649 in the third quarter of last year. As well, as part of the acquisition transaction noted above, the Corporation issued share purchase options to key personnel. Using the Black-Scholes model, the Corporation expensed \$201,944 for these options in the fiscal quarter and \$461,457 for the year to date. Both of these non-cash expenditures increased the year over year net loss figures.

Prior to June 2014, the Corporation managed five self-storage locations and two PUPS locations in Ontario on behalf of a third party owner. In June 2014, the third party terminated this arrangement. As is noted below, the result of this change was a reduction in the Q3 year to date revenues and net income by \$110,240.

Revenue Summary

	Three Months September June 30				Nine Months Ended September 30			
	2015	2014	Change		2015	2014	Change	
			\$	%			\$	%
Existing Sites								
Self Storage	679,121	679,143	(22)	0.0%	1,949,952	2,006,435	(56,483)	-2.8%
Portable Storage	523,091	751,157	(228,066)	-30.4%	1,461,280	1,812,253	(350,973)	-19.4%
	1,202,212	1,430,300	(228,088)	-15.9%	3,411,232	3,818,688	(407,456)	-10.7%
New Sites								
Self Storage	810,962	-	810,962	n/a	1,095,159	-	1,095,159	n/a
Portable Storage	1,124,353	42,483	1,081,870	2546.6%	1,838,930	49,598	1,789,332	3607.7%
	1,935,315	42,483	1,892,832	4455.5%	2,934,089	49,598	2,884,491	5815.7%
Management fees	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
Other	5,371	6,576	(1,205)	-18.3%	16,831	18,787	(1,956)	-10.4%
Total								
Self Storage	1,490,083	679,143	810,940	119.4%	3,045,111	2,006,435	1,038,676	51.8%
Portable Storage	1,647,444	793,640	853,804	107.6%	3,300,210	1,861,851	1,438,359	77.3%
Management fee	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
Other	5,371	6,576	(1,205)	-18.3%	16,831	18,787	(1,956)	-10.4%
	3,146,945	1,483,755	1,663,190	112.1%	6,371,125	4,006,286	2,364,839	59.0%

Year over year revenue at Existing self-storage for the three and nine months ended September 30, 2015 operations was down by \$22 and \$56,483, respectively. Most of the decline was experienced at sites in Calgary, Alberta and Regina, Saskatchewan. Both of these sites encountered localized environmental flooding and storms in 2014. These storms can spur rentals over the summer months. Such factors were not as frequent in 2015 which is reflected in the revenue results. Existing portable storage operations experienced a revenue decrease of \$228,066 in Q3 2015 and \$350,973 year to date. Much of this change can be attributed to removal of overlapping portable storage operations in cities where both the PUPS and the Cubeit products were operating prior to the acquisition of Cubeit in April of 2015.

Net Income / (Loss) Summary

	Three Months Ended September 30				Nine Months Ended September 30			
	<u>2015</u>	<u>2014</u>	<u>Change</u>		<u>2015</u>	<u>2014</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>			<u>\$</u>	<u>%</u>
Existing Sites								
Self Storage	263,141	86,475	176,666	204.3%	503,429	244,088	259,341	106.2%
Portable Storage	150,487	81,370	69,117	84.9%	219,149	(23,246)	242,395	1042.7%
	413,628	167,845	245,783	146.4%	722,578	220,842	501,736	227.2%
New Sites								
Self Storage	(13,665)	-	(13,665)	n/a	12,563	-	12,563	n/a
Portable Storage	135,702	(92,951)	228,653	246.0%	(20,915)	(145,382)	124,467	85.6%
	122,037	(92,951)	214,988	231.3%	(8,352)	(145,382)	137,030	94.3%
Management fees	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
Other	(1,361,042)	(238,645)	(1,122,397)	-470.3%	(2,596,128)	(1,002,200)	(1,593,928)	-159.0%
Total								
Self Storage	249,476	86,475	163,001	188.5%	515,992	244,088	271,904	111.4%
Portable Storage	286,189	(11,581)	297,770	2571.2%	198,234	(168,628)	366,862	217.6%
Management fees	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
Other	(1,361,042)	(238,645)	(1,122,397)	-470.3%	(2,596,128)	(1,002,200)	(1,593,928)	-159.0%
	(821,330)	(159,355)	(661,975)	-415.4%	(1,872,929)	(807,527)	(1,065,402)	-131.9%

The Net Loss of the Corporation increased by \$661,975 in Q3 2015 compared to Q3 2014 from a net loss of \$159,355 to a net loss of \$821,330.

In the Existing self-storage operations, the year to date net income improved by \$259,341 or 106.2%. Gains were made at sites in Regina and London, mostly through carefully managing operating and administrative expenses. As the Corporation acquired new sites through 2015, a number of mortgages were amended to add or remove properties as security. Some Existing Sites had interest expense charged directly against those sites in 2014. In 2015, most interest expense was charged in the "Other" category above.

The net income of \$81,370 from Existing portable storage sites in Q3 2014 increased to a net income of \$150,487 in Q3 of 2015. This reflects the reduced cost structures primarily in the Calgary and Cambridge markets where rationalizing the product offerings between PUPS and Cubeit offered opportunities for cost savings.

The New Sites for portable storage are the recently launched locations in London and Edmonton, as well as the recently acquired Cubeit assets. These have generated year to date losses of \$135,702 as start-up costs exceed revenues in London and Edmonton, and as transitional costs and depreciation affect early results from Cubeit. This is as expected. Included in the losses for these three sites is \$587,375 of non-cash depreciation.

The largest year over year change is in the “Other” category, which is made up of Corporate administrative expenses (including interest expense). On a year to date basis, these expenses increased from \$1,002,200 in the three quarters of 2014 to \$2,596,128 in the first three quarters of 2015. This is an increase of \$1,593,928. The most significant year over year changes as at September 30, 2015 are found in the following categories:

Professional fees – year over year change increase of \$296,390 with the majority of this increase relating to the legal, appraisal, environmental and other professional fees associated with the acquisitions of properties.

Stock based compensation – year over year change increase of \$358,257 as stock options were issued as part of both major asset acquisitions completed in the first three quarters of 2015.

Interest expense – year over year change increase of \$630,055 as a result of moving from mortgages on individual properties toward credit facilities over multiple properties. As this occurs, less interest is charged against individual sites, and more is charged in the “other” classification.

The remainder of the increase is generally commensurate with the increase in size of the Corporation and the costs related to integrating the newly acquired assets.

Outlook

When considering Existing Sites, the financial results of the Corporation are dictated to a large extent by the rate per square foot and the level of occupancy in those facilities. Management’s primary goals are to maximize revenue per square foot and to continue focus on attracting and retaining tenants to 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. Portable storage customers may live farther from the portable storage facility, but because of delivery costs most are within 100 kilometers. 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, increase rates and reduce costs. In Q2 2015, the Corporation reviewed all rental rates and applied market increases in most sites. It also implemented new revenue management processes that target rate increases and/or discounts based on facility by facility occupancy rates. The effects of these efforts are expected to be seen over the balance of the 2015 fiscal year.

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.

The Corporation will also continue to seek out new self-storage acquisition targets to complement existing stores, and in markets not already served by the Corporation.

Subsequent Events

On October 8, 2015 the Corporation completed the closing of the acquisition of the Second Tranche of certain of the self-storage assets and business of Access Self Storage Inc. The acquisition was an arm's length transaction. Pursuant to the closing, the Corporation acquired three self-storage stores with an aggregate of approximately 1,657 rental units with approximately 186,000 square feet of rentable self-storage space. The purchase price was \$27,155,000 (subject to customary adjustments) which consisted of \$12,314,901 paid by the issuance of 32,407,635 common shares with the balance paid by the assumption of a mortgage in the amount of \$4,730,964 and in cash by drawing on the Corporation credit facilities

On October 6, 2015, all Preferred Shares of the Corporation outstanding at that time were converted into 15,203,657 Common Shares at a price of \$0.30 per Common Share. 8,708,655 of the Common Shares were issued to SaskWorks Venture Fund Inc. and upon completion of the conversion, SaskWorks owned or controlled 20,102,394 Common Shares, or approximately 14.94% of the total issued and outstanding Common Shares following the closing of the Second Tranche. 6,495,002 of the Common Shares were issued to Apex Investment Limited Partnership and upon completion of the conversion, Apex owned or controlled 14,992,567 Common Shares, or approximately 11.15% of the total issued and outstanding Common Shares following the closing of the Second Tranche.

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, 2014, 2013, and 2012 is as follows.

	<u>Fiscal Year Ended December 31, 2014</u>	<u>Fiscal Year Ended December 31, 2013</u>	<u>Fiscal Year Ended December 31, 2012</u> <i>(restated)</i>
Total Revenue	\$5,260,932	\$4,896,159	\$4,007,995
Net Income / (Loss)			
Total	(\$ 1,231,876)	(\$ 788,724)	(\$ 797,861)
Per share, basic and diluted	(\$0.034)	(\$0.024)	(\$0.024)
Total Assets	\$28,604,192	\$25,714,728	\$23,629,643
Long Term Liabilities	\$18,879,519	\$20,818,778	\$18,179,971
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 new portable storage operations. Certain expenses, including some due diligence and professional fees cannot be capitalized. These are instead expensed as incurred. The Corporation also incurs recurring and non-recurring start-up expenses when a portable storage location is opened and is in lease-up. These costs may include labor, training, travel, advertising or office expenses.

Revenue from Income Producing Properties

Total revenue from fixed storage properties and fixed storage property management for the nine months ended September 30, 2015 was \$3,054,084 compared to \$2,153,098 for the same period last year – an increase of \$900,986. This was despite the loss of the management contract in the summer of 2014 saw management fee and call centre revenue decline by \$110,240 on a year over year basis. Operating costs for fixed storage have increased by \$148,141 from \$969,932 to \$1,117,973. Overall, the NOI margin for the third fiscal quarter of the 2015 fiscal year was 68.6% compared to the 48.9% experienced in 2014. This reflects the addition of eight mature sites in Ontario and BC in 2015 which possessed strong NOI margins at the time of acquisition.

The revenue from portable storage operations was \$3,300,210 in the first nine months of 2015, an increase of \$1,465,809 over the \$1,834,401 earned from portable storage in the same nine months of 2014. This growth is reflective of the acquisition of the Cubeit assets for the period subsequent to April 28, 2015. Additionally, \$159,390 of incremental revenue was generated from new portable storage locations that were launched in Edmonton and London in June of 2014. The development of such an 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 portable storage 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 portable storage revenue inside the Corporation is a function of both the size of the available rental fleet, and the vacancy level within that fleet. At September 30, 2015, the Corporation had 3,210 containers in its fleet – an increase of 82.7% over the 1,757 on hand at September 30, 2014

Management's focus is to maximize revenue earned per square foot of rentable space at each facility. Consideration is given to both occupancy rates and pricing. However, the strategy envisions possible reductions to occupancy rates if price increases are sustainable and can generate a higher overall level of revenue. Occupancy rates have generally been at or near expectation at sites in B.C., Manitoba and Ontario. The Corporation has experienced some downward movement in occupancy rates in Alberta and Saskatchewan because of fewer environmental impacts (storms, floods, etc.) in 2015, and also because of pricing adjustments. As noted above, price adjustments were made at most locations in Q2, 2015. The effects of these price changes and of selected discount programs implemented at the same time are not immediately noticeable in the fiscal quarter, but are expected to improve long term performance of the properties.

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 consistent 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.

The NOI for the nine months ended September 30, 2015 was \$1,011,785 higher than that for the first nine months of 2014. Existing sites (self-storage and portable storage combined) experienced a decrease in year over year NOI of \$131,121 due primarily to rationalizing the portable storage operations in centers where both PUPS and Cubeit existed. The cessation of the one-time management contract as noted above produced an unfavorable year over year variance of another \$110,240. However, many of the resources related to staffing and call center activities were redirected from managing the contracted sites to managing and integrating the newly acquired sites from the Access Storage transaction. The declines in NOI were offset by New self-storage and portable sites which showed a year over year increase in NOI of \$1,464,394.

Property NOI

	Three Months Ended September 30				Nine Months Ended September 30			
	<u>2015</u>	<u>2014</u>	<u>Change</u>		<u>2015</u>	<u>2014</u>	<u>Change</u>	
			<u>\$</u>	<u>%</u>			<u>\$</u>	<u>%</u>
Existing Sites								
Self Storage	416,929	379,692	37,237	9.8%	1,125,150	1,146,226	(21,076)	-1.8%
Portable Storage	283,396	363,963	(80,567)	-22.1%	605,316	715,361	(110,045)	-15.4%
	<u>700,325</u>	<u>743,655</u>	<u>(43,330)</u>	<u>-5.8%</u>	<u>1,730,466</u>	<u>1,861,587</u>	<u>(131,121)</u>	<u>-7.0%</u>
New Sites								
Self Storage	604,476	-	604,476	n/a	829,667	-	829,667	n/a
Portable Storage	415,340	(35,621)	450,961	1266.0%	584,944	(49,783)	634,727	1275.0%
	<u>1,019,816</u>	<u>(35,621)</u>	<u>1,055,437</u>	<u>2963.0%</u>	<u>1,414,611</u>	<u>(49,783)</u>	<u>1,464,394</u>	<u>2941.6%</u>
Management fees	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
Total								
Self Storage	1,021,405	379,692	641,713	169.0%	1,954,817	1,146,226	808,591	70.5%
Portable Storage	698,736	328,342	370,394	112.8%	1,190,260	665,578	524,682	78.8%
Management fees	4,047	4,396	(349)	-7.9%	8,973	119,213	(110,240)	-92.5%
	<u>1,724,188</u>	<u>712,430</u>	<u>1,011,758</u>	<u>142.0%</u>	<u>3,154,050</u>	<u>1,931,017</u>	<u>1,223,033</u>	<u>63.3%</u>

Interest income

Interest income for the three and nine months ended September 30, 2015 was \$5,172 and \$15,979, respectively, compared to \$6,102 and \$17,055, respectively for 2014. 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 and nine months ended September 30, 2015 were \$635,002 and \$1,230,905, respectively compared to \$161,857 and \$655,558, respectively for same periods last year. As a percentage of storage related revenue, S, G & A costs were 20.2% for Q3 2015 compared to 11.0% for Q3 2014. The largest drivers of these costs are salaries, management fees, and new facility acquisitions or portable storage start-ups which incur a number of professional fees that cannot be capitalized. The Corporation has incurred significant professional fees relating to the negotiations to acquire a number of self-storage and portable storage properties that were acquired in 2015 (See "Significant Transaction" above).

The three largest S, G & A items in the nine months ended September 30, 2015 were as follows:

- Professional fees of \$396,274 (September 30, 2014 - \$126,894). Transactional costs related to the Significant Transactions noted above are not eligible under IFRS to be capitalized unless they relate to the issuance of debt or equity. Accordingly, legal fees, appraisal fees and financial consulting costs have been expensed when incurred, and recorded in the professional fees category. In the first nine months of 2015, the total such fees accumulated relating to this transaction have been \$329,097. The remaining amount in the professional fees category consists of \$29,332 in accruals and billings for audit and other financial work and \$37,845 for legal work for general corporate matters.
- Management fees paid to Detteson Management Inc. and Access Results Management of \$240,399 (September 30, 2014 - \$236,532). See discussion of "Related Party Transactions" below.
- Salaries of \$229,569 (June 30, 2014 - \$121,411). Historically, this category is comprised of a Supervisor of Operations, an Accounting Technician and certain administrative support costs. With the acquisition of the Cubeit business, additional staff positions relating to regional management and administrative positions have been included in this category.

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
2015- Q3	\$3,146,945	(\$821,330)	(\$0.012)	(\$0.012)	\$108,865,822	\$77,070,939	
2015- Q2	\$2,119,586	(\$677,127)	(\$0.012)	(\$0.012)	\$54,449,748	\$32,755,226	-
2015- Q1	\$1,104,594	(\$374,472)	(\$0.010)	(\$0.010)	\$27,910,360	\$18,483,161	-
Total 2015	\$6,371,125	(\$1,872,929)	(\$0.034)	(\$0.034)	N/A	N/A	-
2014- Q4	\$1,254,646	(\$424,349)	(\$0.012)	(\$0.012)	\$28,604,192	\$18,879,519	-
2014- Q3	\$1,483,755	(\$159,355)	(\$0.004)	(\$0.004)	\$28,445,226	\$22,859,246	-
2014- Q2	\$1,404,725	(\$316,946)	(\$0.009)	(\$0.009)	\$28,753,424	\$22,905,741	-
2014- Q1	\$1,117,806	(\$331,226)	(\$0.009)	(\$0.009)	\$26,097,965	\$20,567,212	-
Total 2014	\$5,260,932	(\$1,231,876)	(\$0.034)	(\$0.034)	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	-

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Corporation had \$1,566,887 of cash and short term deposits compared to \$454,468 at December 31, 2014. 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. As at September 30, 2015, the Corporation had total mortgage debt outstanding of \$77,496,120 at interest rates ranging from 3.70% to 5.00% and maturities ranging from November 2015 to August 2020.

The Corporation must maintain certain financial ratios to comply with its banking facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. For purposes of the tangible net worth ratio, the lender treats all Preferred Shares outstanding as equity because obligations under the preferred shares are subordinated and postponed in favor of the lender. As of September 30, 2015, 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>
2015 (balance of year)	\$ 519,597	\$ 868,380	\$1,387,977
2016	\$2,424,699	\$3,087,700	\$5,512,399
2017	\$2,465,708	\$2,991,532	\$5,457,240
2018	\$2,500,090	\$2,905,491	\$5,405,581
2019	\$2,548,087	\$2,805,836	\$5,353,923

Because Working Capital includes the issued and outstanding preferred shares, Working Capital (being current assets less current liabilities) is negative \$4,732,397 at September 30, 2015 (December 31, 2014 – negative \$5,426,639). These figures include the current portion of long term debt, which will be paid over the course of the subsequent 12 months. Also included are the preferred shares. As at September 30, 2015, these shares may be subject to retraction at some time in 2015. They may also be converted to common shares at the option of the shareholders (ultimately, they were converted to common shares on October 6, 2015 – See "Subsequent Events" above). As at September 30, 2015 these preferred shares were subject to subordination agreements wherein any obligations arising under the preferred shares are subordinated and postponed to and in favor of the financial institution that provides the credit facilities noted above. Pursuant to the subordination agreements, the preferred shareholders shall not, without prior written consent, exercise any right or recourse with respect to the preferred shares, including any demand for payment or collection. Excluding the current portion of long term debt and the preferred shares from the calculation results in a figure that represents only short term working capital needs. This figure is a positive \$2,245,452 at September 30, 2015 (December 31, 2014 – positive \$698,832). In management's view, mini-storage and the portable storage business produce relatively predictable cash

flows, subject to normal business risks (see “Risks and Uncertainties” below). These cash flows are expected to augment the short term working capital balances and generate sufficient cash to meet current obligations.

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 nine months ended September 30, 2015 and 2014 were \$774,884 and \$431,446, respectively. The Corporation continues to generate positive Funds from Operations, thereby validating the business model which includes matching proven cash flow positive self-storage properties with organically grown portable storage operations. The self-storage facilities bring long term, stable cash flow, while the portable storage diversifies product offering and provides long term growth opportunity.

A summary of FFO by fiscal quarter is as follows:

	2015 Fiscal Year ('000 omitted)				2014 Fiscal Year ('000 omitted)				
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Q4	Total
Net Income/(Loss)	(374)	(677)	(821)	(1,872)	(331)	(317)	(159)	(425)	(1,232)
Add:									
Amortization	380	607	1,199	2,186	317	391	427	410	1,545
Stock based comp.	19	240	202	461	-	103	-	-	103
Deferred inc. tax	-	-	-	-	-	-	-	-	-
FFO	25	170	580	775	(14)	177	268	(15)	416

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	\$ 62,512
Between one and five years	251,870
More than five years	421,173

RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2015, the Corporation paid total management fees of \$nil and \$160,414, respectively (September 30, 2014 - \$45,894 and \$235,032, respectively) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who were 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 and nine months ended September 30, 2015, for performance fee relating to the prior fiscal year was \$nil and \$99,221, respectively (September 30, 2014 - \$nil and \$99,131, respectively). On April 28, 2015, this management agreement was assigned to Access Results Management Services Inc. ("ARMS"). At that time, Alan A. Simpson ceased to be an officer of the Corporation, and Glenn E. Fradette ceased to be an officer and director of the Corporation. Concurrently, Steven Scott and Iqbal Khan, who control ARMS, became officers and directors of the Corporation. During the three and nine months ended September 30, 2015, the Corporation incurred total management fees of \$47,271 and \$78,785, respectively (June 30, 2014 - \$nil and \$nil, respectively) to ARMS

During the three and nine months ended September 30, 2015, the Corporation reimbursed travel and related expenses of \$8,265 and \$33,012, respectively (September 30, 2014 - \$11,501 and \$41,125, 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, 2015, the Corporation reimbursed wages, travel and related expenses of \$736,768 and \$1,053,053, respectively (September 30, 2014 - \$nil and \$nil, respectively) to ARMS. 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, 2015, the Corporation paid loan guarantee fees of \$2,178 and \$6,534, respectively (September 30, 2014 - \$2,178 and \$6,534, respectively) to Alan A. Simpson and loan guarantee fees of \$2,178 and \$6,534, respectively (September 30, 2014 - \$2,178 and \$6,534, respectively) to Glenn E. Fradette, both of whom were 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 portable storage throughout Canada. CPFI is a corporation related to Steven Scott and Iqbal Khan, 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 the purchases of storage containers and related equipment from CPFI. During the three and nine months ended September 30, 2015, the Corporation paid \$59,291 and \$86,237, respectively (September 30, 2014 - \$32,404 and \$80,014, respectively) for royalties and \$1,476,713 and \$1,476,713, respectively (September 30, 2014 - \$539,541 and \$1,789,816, respectively) 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 September 30, 2015 was \$106,329 (December 31, 2014 - \$61,262) payable to CPFI; \$2,569 (December 31, 2014 - \$3,299) payable to Detteson; and \$230,357 (December 31, 2014 - \$nil) payable to ARMS.

FINANCIAL INSTRUMENTS

Financial instruments are defined as contractual rights to receive or deliver cash or other financial assets. The fair values of the Corporation's Held to Maturity financial assets (cash and short term deposits, short term investments and long term investments), Loans and Receivables (accounts receivable) and Other Financial Liabilities (accounts payable and accrued liabilities) approximate their carrying amount and incur minimal fair market valuation risk because of short period to scheduled receipt or payment of cash.

The fair value of the Corporation's Other Financial Liabilities classified as long term debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. Long term debt is carried on the books of the Corporation at amortized cost using the effective interest method. There are no fair value adjustments booked to income or loss. This debt is used for financing acquisition and development of long term assets. It is subject to interest rate risk, as most long term debt is currently at floating interest rates. However, management is able to convert effectively convert to fixed rate debt using hedging strategies should interest rates show signs of increasing in the future.

Preferred shares are considered Financial Liabilities at Fair Value through Profit or Loss. As such, any changes in the fair value other than from the issuance or cancellation of such shares would be recognized as income or loss in the Consolidated Statements of Income / (Loss) and Comprehensive Income / (Loss). The preferred shares contain two components, being the debt component and an embedded derivative liability component arising from the Investor's right to convert. The Corporation has elected to treat these two components as one financial instrument measured at fair value through profit and loss. The preferred shares are therefore presented as a liability at fair value in the consolidated financial statements. As the preferred shares are entirely held by a party related to the Corporation, an option pricing model was not considered appropriate for valuing the preferred shares and conversion option. Rather, the transaction price was considered by management to be a more reliable estimate of fair value. Accordingly, no changes to fair value have been recognized in the Consolidated Statements of Income / (Loss) and Comprehensive Income / (Loss).

OUTSTANDING SHARE DATA

A summary of the outstanding shares and convertible securities as at September 30, 2015 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			3,333,333	
Access Tranche 1 – April 28, 2015			30,211,529	
Storage For Your Life transaction – September 11, 2015			<u>20,000,000</u>	
Outstanding Common Shares			<u>86,900,573</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>554,546</u>	<u>1,848,486</u>
Outstanding Preferred Shares			<u>4,554,546</u>	15,181,820
<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
Director's options	June 20, 2024	\$0.33	400,000	400,000
Employee's option	January 27, 2025	\$0.40	60,000	60,000
Employee's option	April 28, 2025	\$0.41	2,901,000	2,901,000
Employee's option	September 14, 2025	\$0.50	2,000,000	2,000,000
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>11,894,333</u>	11,644,333
				26,826,153

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 8 and IAS 24 on January 1, 2015. There was no material impact to the Corporation's interim consolidated financial statements as a result of the adoption of those standards. The IASB or the International Financial Reporting Interpretations Committee 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, 2014 annual audited financial statements.