

StorageVault Canada Inc.

Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(Unaudited)



StorageVault Canada Inc.

Balance Sheet

(unaudited)

	June 30, 2009	December 31, 2008
	<i>unaudited</i>	<i>audited</i>
Assets		
Current		
Cash	\$ 410,489	\$ 152,024
Short term investments (Note 4)	-	3,311,760
Accounts receivable	193,373	43,127
Inventory	5,407	-
Deposits	45,480	218,016
Other current assets	59,391	25,871
	\$ 714,140	\$ 3,750,798
Income producing properties (Note 5)	9,657,420	3,105,114
Intangible assets (Note 6)	271,066	184,400
Goodwill (note 7)	1,448,607	746,891
	\$ 12,091,233	\$ 7,787,203
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 76,363	\$ 92,571
Unearned revenue	79,771	40,617
Current portion of capital lease obligations (Note 8)	39,384	37,781
Current portion of long term debt (Note 9)	260,981	61,314
	456,499	232,283
Capital lease obligations (Note 8)	47,203	67,317
Long term debt (Note 9)	5,572,179	1,705,057
	6,075,881	2,004,657
Shareholders' Equity		
Share capital (Note 10)	6,513,186	6,019,523
Contributed surplus (Note 10)	470,208	126,250
Deficit	(968,042)	(363,227)
	6,015,352	5,782,546
	\$ 12,091,233	\$ 7,787,203

Approved on behalf of the Board:

"signed" Alan Simpson
Director

"signed" Glenn Fradette
Director

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.
Statement of Operations and Comprehensive Loss and Deficit

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Revenue				
Storage and related services	\$ 464,471	\$ 71,980	\$ 715,285	\$ 71,980
Interest	197	4,305	3,983	13,113
	464,668	76,285	719,268	85,093
Expenses				
Property operating costs	168,502	12,854	252,868	12,854
Selling, general and administrative	77,087	118,860	201,157	206,985
Stock based compensation	343,958	-	343,958	-
Amortization	218,466	34,300	391,009	34,300
Interest	86,935	16,620	135,091	16,620
	894,948	182,634	1,324,083	270,759
Net Loss and Comprehensive Loss	\$ (430,280)	\$ (106,349)	\$ (604,815)	\$ (185,666)
Deficit, beginning of period	(537,762)	(190,346)	(363,227)	(111,029)
Deficit, end of period	\$ (968,042)	\$ (296,695)	\$ (968,042)	\$ (296,695)
Basic and diluted net loss per common share	\$ (0.013)	\$ (0.011)	\$ (0.018)	\$ (0.019)
Weighted average number of common shares outstanding	33,710,711	10,000,000	32,990,077	10,000,000

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StorageVault Canada Inc.

Statement of Cash Flows

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Cash provided by (used for) the following activities:				
Operating activities				
Net Loss	\$ (430,280)	\$ (106,349)	\$ (604,815)	\$ (185,666)
Adjustment for non-cash items:				
Stock based compensation	343,958	-	343,958	-
Amortization	218,466	34,300	391,009	34,300
	<u>132,144</u>	<u>(72,049)</u>	<u>130,152</u>	<u>(151,366)</u>
Net change in non-cash working capital balances				
Accounts receivable	(149,021)	(3,192)	(150,246)	(2,307)
Inventory	(3,466)	-	(5,407)	-
Deposits	(45,044)	24,544	172,536	14,544
Other current assets	(15,232)	-	(33,520)	(2,500)
Accounts payable and accrued liabilities	(27,594)	57,217	(16,208)	63,429
Unearned revenue	1,820	-	39,154	-
	<u>(106,393)</u>	<u>6,520</u>	<u>136,461</u>	<u>(78,200)</u>
Financing activities				
Advances from long term debt	450,000	1,750,631	450,000	1,750,631
Repayment of long term debt	(68,179)	(11,681)	(83,153)	(11,681)
Repayment of capital leases	(9,339)	-	(18,511)	-
Deferred financing costs	(11,579)	(10,000)	(54,128)	(10,000)
	<u>360,903</u>	<u>1,728,950</u>	<u>294,208</u>	<u>1,728,950</u>
Investing activities				
Acquisition of net assets of Kenaston	-	-	(2,912,000)	-
Additions to income producing properties	(207,222)	(2,682,717)	(565,623)	(2,682,717)
Purchase of investments	-	-	-	(6,653)
Redemption of investments	-	1,012,680	3,305,419	1,012,680
	<u>(207,222)</u>	<u>(1,670,037)</u>	<u>(172,204)</u>	<u>(1,676,690)</u>
Increase (decrease) in cash	47,288	65,433	258,465	(25,940)
Cash balance, beginning of period	363,201	213,263	152,024	304,636
Cash balance, end of period	<u>410,489</u>	<u>278,696</u>	<u>410,489</u>	<u>278,696</u>
Supplementary cash flow information				
Cash paid during the period for:				
Interest	75,944	16,620	115,599	16,620
Income taxes	-	-	-	-

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.
Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008
(*unaudited*)

1. Incorporation, nature and continuance of operations

StorageVault Canada Inc. (the "Corporation") was incorporated under the Business Corporations Act of Alberta on May 31, 2007. The Corporation's primary business is renting both fixed and portable self storage units to residential and commercial customers in Regina, Saskatchewan and Winnipeg, MB. The Corporation also actively seeks financially accretive properties in other Canadian locations in order to expand its network of portable storage units.

2. Accounting policies

The unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly they do not contain all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. Refer to the Corporation's audited financial statements as at December 31, 2008. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that can be expected for the year ended December 31, 2009.

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Amortization is based on the estimated useful lives of tangible assets. Provision for income taxes is based on the estimated tax rates applicable to the Corporation. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the period in which they become known. Actual results could differ from those estimates and the differences could be material to these financial statements.

Short Term Investments

Short term investments consist of highly liquid financial instruments that are redeemable in less than 90 days. Fixed income securities with original maturities of one year or less are carried at cost plus accrued interest, as they are held to maturity. Changes in fair market value are recorded in operations.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Income Producing Properties

Income producing properties and intangible assets (other than goodwill) are carried at cost less accumulated amortization, and less impairment, if any. Cost includes initial acquisition costs, improvements and other direct costs. The costs of income producing properties acquired in a business combination are allocated to tangible and intangible assets acquired based on their respective fair market values.

The Corporation records amortization of income producing properties over their estimated useful lives as follows:

Buildings	4% declining balance
Leasehold improvements	20% declining balance
Vehicles	30% to 45% declining balance
Storage containers	30% declining balance
Fences and parking lots	8% declining balance
Furniture and equipment	20% declining balance
Computer equipment	45% declining balance
Franchises agreement	10 year straight-line
Intangible – customer relationships	15 months straight-line

Goodwill

Goodwill represents the excess of the purchase price of business acquisitions over the fair values of identifiable net assets acquired in such acquisitions, and is allocated as at the date of the business combination. Goodwill and intangible assets with indefinite useful lives are not subject to amortization but are assessed for impairment on at least an annual basis, and more frequently whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flow approach and the market approach, which utilizes comparable companies' data. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to quantify the amount of the impairment, if any. Any impairment in the carrying value of goodwill is recognized in operating income.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on the declining balance basis, over their estimated useful lives.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Long-lived Assets

Long-lived assets consist of tangible assets included in income producing properties. Long-lived assets held for use are measured and amortized as described in the applicable accounting policy.

The Corporation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the periods then ended. Prices for similar items are used to measure fair value of long-lived assets.

Long-lived assets classified as held for sale are initially measured at the lower of the carrying amount and fair value less costs to sell, and are not amortized. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains.

Future Income Taxes

The Corporation follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

Loss Per Share

The computation of basic loss per share uses the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that would occur if stock options were exercised. The Corporation uses the treasury stock method for outstanding options which assumes that all outstanding stock options with an exercise price below the average market prices are exercised and assumed proceeds are used to purchase the Corporation's common shares at the average market price during the period.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Revenue Recognition

Units are rented to customers pursuant to rental agreements, which provide for monthly rental terms with non-refundable rental payments. The rental agreements may be terminated by the customer without further obligation or cost upon vacating the unit. Revenue from rental agreements is recognized over the rental term. Non-refundable customer deposits, which are received to hold a unit for rent, are deferred and recognized as revenue upon commencement of the rental agreement.

Revenue from investments is recognized when earned.

Stock Based Compensation

The fair value of stock options issued to directors and consultants under the Corporation's stock option plan is estimated at the date of issue using the Black-Scholes option pricing model, and charged to operations and contributed surplus over the vesting period. On the exercise of options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

The fair value of agent options issued to advisors in conjunction with financing transactions is estimated at the date of issue using the Black-Scholes option pricing model, and charged to share capital and contributed surplus over the vesting period. On the exercise of agent options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

Option pricing models require that input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's share purchase options.

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources. "Other comprehensive income" refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. For the period ended June 30, 2009 there were no comprehensive income items.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Financial Instruments

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale assets, or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Transactions to purchase or sell held for trading financial instruments are recorded on the settlement date, and transaction costs are immediately recognized in income. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity, and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, and impairment write downs are recognized immediately in net earnings from operations.

The Corporation's held for trading financial instruments consist of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities. Long-term debt is classified as other financial liabilities and is measured at amortized cost, using the effective interest rate method. Transaction costs relating to other financial liabilities are applied against the carrying value of the related financial liabilities, and amortized into income using the effective interest rate method. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Corporation has determined that it does not have derivatives or embedded derivatives.

Change 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.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

3. Acquisitions

On March 2, 2009, the Corporation acquired 100% of the assets and business operations of Kenaston Self Storage Inc. (Kenaston) of Winnipeg, MB for a purchase price of \$7,162,000 including closing costs. The acquisition included 4 storage buildings comprised of 536 storage units, approximately two acres of undeveloped land, as well as other equipment necessary in the operation of a storage business. Also acquired were all of Kenaston's customer lists, business documentation, and in-place contracts as of March 2, 2009. This acquisition provided the Corporation with entry into the Manitoba market as well as a location in which to expand the PUPS portable storage franchise. The purchase price was paid by \$3,750,000 of bank mortgage financing, the issuance of \$500,000 of the Corporation's common shares to the vendor at a price of \$0.23 per share, and the remainder in cash.

A summary of the assets acquired and liabilities assumed, using the purchase method of accounting, resulting from acquisitions in the current fiscal year is as follows:

Tangible Assets	
Land	700,000
Buildings	5,437,284
Vehicles	15,000
Furniture and equipment	50,000
Computer equipment	10,000
Intangible Assets	
Tenant relationships	248,000
Goodwill	701,716
Net Assets Acquired	<u><u>7,162,000</u></u>

Consideration paid for the net assets acquired was obtained from the following:

Cash	2,912,000
Common shares	500,000
Proceeds from first mortgage on the property	3,750,000
	<u><u>7,162,000</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	282,251
Net income	(19,737)

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

*(unaudited)***4. Short Term Investments**

Short term investments consist of Guaranteed Investment Certificates issued by the Canadian Western Bank. The certificates have maturities of 30 days or less. The carrying value of all certificates equals the market value.

5. Income Producing Properties

	<u>June 30, 2009</u>			<u>December 31, 2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	1,080,000	-	1,080,000	380,000
Leasehold improvements	5,442	397	5,045	2,500
Buildings	7,629,696	141,025	7,488,671	2,143,035
Storage containers	565,486	62,464	503,022	267,389
Vehicles	313,912	25,538	288,374	56,000
Fences and parking lots	72,719	5,377	67,342	64,479
Furniture and equipment	67,930	4,726	63,204	12,350
Computer equipment	19,291	3,288	16,003	3,450
	<u>9,754,476</u>	<u>242,815</u>	<u>9,511,661</u>	<u>2,929,203</u>
Storage containers under capital lease	95,911	14,387	81,524	95,911
Vehicles under capital lease	80,261	16,026	64,235	80,000
	<u>176,172</u>	<u>30,413</u>	<u>145,759</u>	<u>175,911</u>
	<u><u>9,930,648</u></u>	<u><u>273,228</u></u>	<u><u>9,657,420</u></u>	<u><u>3,105,114</u></u>

6. Intangible Assets

	<u>June 30, 2009</u>			<u>December 31, 2008</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Franchise agreements	20,000	-	20,000	20,000
Tenant relationships	486,000	234,934	251,066	164,400
	<u>506,000</u>	<u>234,934</u>	<u>271,066</u>	<u>184,400</u>

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

*(unaudited)***7. Goodwill**

The continuity of goodwill is as follows

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Opening balance	746,891	-
Additions, net	701,716	746,891
Goodwill impairment	-	-
Ending balance	<u>1,448,607</u>	<u>746,891</u>

8. Capital Lease Obligations

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Capital lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011. Secured by storage containers	12,902	15,223
Capital lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April 2012. Secured by storage containers	13,185	15,223
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012. Secured by storage containers	14,150	16,179
Capital lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012. Secured by storage containers	13,742	15,604
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$1,984 plus taxes, maturing November 2010, against which vehicles with a net book value of \$64,235 have been pledged as collateral	32,608	42,869
	<u>86,587</u>	<u>105,098</u>
Less current portion	39,384	37,781
	<u>47,203</u>	<u>67,317</u>

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Minimum lease payments related to the obligations under capital leases are as follows:

2009	22,550
2010	44,116
2011	21,296
2012	7,747
2013	-
	<u>95,709</u>
Less imputed interest	<u>(9,122)</u>
	86,587
Less current portion	<u>(39,384)</u>
	<u>47,203</u>

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

*(unaudited)***9. Long Term Debt**

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	31,755	37,650
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	18,045	23,352
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	126,739	-
Convertible debenture, bearing interest at 9.5%, due May, 2014. Interest only payments are due quarterly. Debenture holders have the right to convert at any time into Common Shares of the Corporation at the conversion price of \$0.32 per common share.	320,000	-
Mortgage repayable in monthly blended installments of \$11,219, bearing interest at 5.72%, due August 2016. Secured by a first charge on the related land and property with a net book value of \$2,102,434 and a general assignment of rental revenue	1,699,268	1,718,221
Mortgage repayable in monthly blended installments of \$32,600, bearing interest at 6.45%, due March, 2014. Secured by a first charge on the related land and property with a net book value of \$5,382,911 and a general assignment of rental revenue	3,700,264	-
Deferred financing costs (net of accumulated amortization of \$2,263)	(62,911)	(12,852)
	<u>5,833,160</u>	<u>1,766,371</u>
Less current portion	260,981	61,314
	<u><u>5,572,179</u></u>	<u><u>1,705,057</u></u>

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

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

2009 (balance of year)	128,330
2010	269,686
2011	274,643
2012	249,782
2013	244,981

In addition to the first charge on related land and property under mortgages noted above, long term debt and capital lease obligations are secured by a general security agreement covering all assets of the Corporation, a general assignment of rents and leases and an assignment of insurance coverage over all assets of the Corporation. The Corporation is subject to the following bank covenants:

- Annual cash flow coverage ratio of 1.3 or greater relating to Kenaston property
- Annual cash flow coverage ratio of 1.4 or greater for the entire Corporation
- Minimum tangible net worth at year end to be \$4,000,000
- Total debt to tangible net worth ratio at year end to be 2 to 1 or less

The Corporation is in compliance with debt covenants as of June 30, 2009.

10. Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, May 31, 2007 (inception)	-	-
Seed capital shares	5,000,000	500,000
Issued for cash pursuant to initial public offering	5,000,000	1,000,000
Share issuance costs	-	(167,034)
Balance, December 31, 2007	<u>10,000,000</u>	<u>1,332,966</u>
Private placement	18,391,304	4,230,000
Broker compensation - private placement	678,696	156,100
Shares issued for property acquired	2,466,798	567,364
Share issuance costs	-	(266,907)
Balance, December 31, 2008	<u>31,536,798</u>	<u>6,019,523</u>
Shares issued for property acquired (Note 3)	2,173,913	500,000
Share issuance costs	-	(6,337)
Balance, June 30, 2009	<u><u>33,710,711</u></u>	<u><u>6,513,186</u></u>

StorageVault Canada Inc.
Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008
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On March 2, 2009, pursuant to the acquisition of the assets and operations of Kenaston Self Storage Inc. (see Note 3), the Corporation issued 2,173,913 common shares at \$0.23 each.

The seed capital shares were issued for cash and are subject to a CPC Escrow agreement. Under the agreement, 10% of the escrowed shares were released from escrow on the completion of the Qualifying Transaction and an additional 15% will be released in increments of 15% every six months thereafter. As at June 30, 2009, 1,750,000 (December 31, 2008 – 1,250,000) seed capital shares were released from escrow, and 3,250,000 (December 31, 2008 – 3,750,000) remain subject to the Escrow agreement.

Contributed surplus:

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Opening balance	126,250	100,420
Stock based compensation	343,958	25,830
Exercise of retained options	-	-
Ending balance	<u>470,208</u>	<u>126,250</u>

Stock Options and Warrants

The Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants of the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to 5 years from the date of grant, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding shares. The exercise price for purchasing these shares cannot be less than the minimum exercise price as provided by stock exchange rules.

During the period, the Corporation granted 2,200,000 stock options to directors and officers, which vested immediately and have an exercise price of \$0.23 per share and will expire on May 6, 2014. In accordance with CICA 3870, the fair value of these stock options was estimated at the date of the grant using the Black-Scholes Option Pricing Model. The Corporation used the following weighted average assumptions in the period: risk-free interest rate of 1.63%; dividend yield of 0%; a volatility factor of the expected market price of the Corporation's shares of 208%; and an expected option life of 5 years. The estimated fair value of the options issued to the directors and officers was \$0.156344 per option.

Included in the statement of operations for the three and six months ended June 30, 2009 was stock-based compensation expense of \$343,958 (June 30, 2008 - \$nil) relating to the fair value of stock options granted to directors and officers.

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Stock options and warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding June 30, 2009	Outstanding December 31, 2008
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.20	Nov 12, 2009	400,000	400,000
\$0.23	Oct 31, 2010	678,696	678,696
\$0.23	May 6, 2014	2,200,000	-

11. Income Taxes

The Corporation has non-capital losses at December 31, 2008 of \$360,118 (December 31, 2007 - \$63,854), which expire as follows:

		<u>December 31, 2008</u>
Non-capital loss carry forwards available until:	2027	63,854
	2028	<u>296,264</u>
		<u><u>360,118</u></u>

12. Financial Risk Management and Fair Value

In accordance with CICA Handbook disclosure requirements, the Corporation is required to disclose certain information concerning its financial instruments, which are defined as contractual rights to receive or deliver cash or other financial assets.

The Corporation's cash, accounts receivable, short term investments, and accounts payable and accrued liabilities are carried at cost, which approximates fair market value because of short period to scheduled receipt or payment of cash.

The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. As at June 30, 2009 the fair value of long term debt is \$5,640,000 (December 31, 2008 - \$1,950,000).

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

Financial instruments may expose the Corporation to a number of financial risks including interest rate risk, credit risk and environmental risk.

- a) Interest rate risk – Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. The Corporation is exposed to interest rate risk primarily relating to its long-term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on a majority of its mortgages, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.
- b) Credit risk - Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial commitments to the Corporation. Credit risk in storage facilities is mitigated by restricting access by, and ultimately, seizing the property of tenants who are delinquent in payment. Risk is also mitigated as no individual tenant accounts for greater than 5% of the Corporation's overall property income.
- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities.
- d) Environmental risk – 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.

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant currency risk.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

13. Related Party Transactions

Transactions with related parties have been recorded at the exchange amount, unless noted otherwise.

During the three and six months ended June 30, 2009, the Corporation paid management fees of \$12,000 and \$59,750 respectively, to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to a management agreement, Detteson is entitled to an annual advisory fee of 0.225% per annum, paid monthly, of the gross book value of the assets of the Corporation, subject to a monthly minimum of \$4,000. Detteson is also entitled to receive 0.5% of the cost of any property acquired or sold by the Corporation on the closing date of the purchase or sale.

During the three and six months ended June 30, 2009, the Corporation reimbursed travel and related expenses of \$28,658 and \$40,768, respectively, to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three and six months ended June 30, 2009, the Corporation paid loan guarantee fees of \$2,148 and \$4,296, respectively, to Alan A. Simpson and loan guarantee fees of \$2,148 and \$4,296, 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 six months ended June 30, 2009, the Corporation paid fees for maintenance of shareholder records of \$4,064 and \$7,092, 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 six months ended June 30, 2009, the Corporation issued convertible, unsecured debentures in the amount of \$210,000 and \$210,000, respectively, to officers, directors and spouses of directors of the Corporation. See note 9 – Long Term Debt regarding the total debentures issued.

StorageVault Canada Inc.**Notes to the Financial Statements**

For the Three and Six Months ended June 30, 2009 and 2008

(unaudited)

14. Capital Risk Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholders' equity excluding contributed surplus, and long term debt, if any. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets, and adjust the amount of cash and short term investments. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

On an ongoing basis, the Corporation reviews and assesses its capital structure. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to gross book value ratio. Debt includes mortgages, term debt and subordinated debt. Gross book value of assets is total assets plus accumulated amortization of income properties. The Corporation's debt to gross book value ratio at June 30, 2009 is 47.7% (June 30, 2008 – 58.3%).

Except for the debt covenants described in Note 9, the Corporation is not subject to any externally imposed capital requirements.

15. Segmented Information

The Corporation owns income producing properties in Canada. The Corporation does not distinguish or group its operations on a geographic basis, and accordingly, has a single reportable segment for disclosure purposes. None of the Corporation's tenants individually account for revenues in excess of 10% of the Corporation's total revenues for the three or six months ended June 30, 2009.

StorageVault Canada Inc.

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Paul G. Smith
Toronto, ON

Alan Simpson
Regina, SK

Glenn Fradette
Regina, SK

Rob Duguid
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