

StorageVault Canada Inc.

Interim Financial Statements

For the Three and Six Months ended June 30, 2013 and 2012

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the StorageVault Canada Inc. have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

StorageVault Canada Inc.

Unaudited Interim Consolidated Statement of Financial Position

	June 30 2013	December 31 2012
Assets		
Current		
Cash and short term deposits (Note 5)	\$ 274,619	\$ 233,773
Short term investments (Note 6)	103,875	134,148
Accounts receivable	133,605	112,175
Inventory	20,224	15,292
Deposits	5,676	13,665
Other current assets	159,818	104,541
	\$ 697,817	\$ 613,594
Long term investments (Note 6)	1,519,358	1,630,099
Property, plant and equipment (Note 7)	22,280,979	19,859,621
Intangible assets (Note 8)	16,662	67,722
Goodwill (Note 8)	1,601,414	1,458,607
	\$ 26,116,230	\$ 23,629,643
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 569,626	\$ 416,144
Unearned revenue	92,733	61,466
Current portion of long term debt (Note 9)	1,281,163	794,753
	1,943,522	1,272,363
Long term debt (Note 9)	16,252,107	13,927,118
Preferred shares (Note 10)	2,849,566	2,814,278
	21,045,195	18,013,759
Shareholders' Equity		
Share capital (Note 11)	6,444,600	6,448,175
Preferred shares (Note 11)	1,420,462	1,402,424
Contributed surplus (Note 11)	470,208	470,208
Deficit	(3,264,235)	(2,704,923)
	5,071,035	5,615,884
	\$ 26,116,230	\$ 23,629,643

Subsequent Events (Note 17)

Approved on behalf of the Board:

"signed" Alan Simpson
Director

"signed" Glenn Fradette
Director

The accompanying notes are an integral part of these consolidated financial statements

StorageVault Canada Inc.

Unaudited Interim Consolidated Statement of Changes in Equity

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Common Share Capital				
Balance, beginning of the period	\$ 6,448,175	\$ 6,466,915	\$ 6,448,175	\$ 6,466,915
Common shares purchased and cancelled	(3,575)	-	(3,575)	-
Balance, end of the period	6,444,600	6,466,915	6,444,600	6,466,915
Preferred Share Capital				
Balance, beginning of the period	\$ 1,411,415	\$ 1,375,784	\$ 1,402,424	\$ 1,367,014
Stock dividends paid	9,047	8,825	18,038	17,595
Balance, end of the period	1,420,462	1,384,609	1,420,462	1,384,609
Contributed Surplus				
Balance, beginning of the period	\$ 470,208	\$ 470,208	\$ 470,208	\$ 470,208
Balance, end of the period	470,208	470,208	470,208	470,208
Deficit				
Balance, beginning of the period	\$ (2,974,898)	\$ (2,081,013)	\$ (2,704,923)	\$ (1,900,383)
Net income (loss)	(269,768)	(219,618)	(522,804)	(382,709)
Amalgamation of Southline Developments Ltd.	-	-	1,043	-
Charges for Normal Course Issuer Bid	(1,475)	-	(1,475)	-
Dividends on preferred shares	(18,094)	(17,650)	(36,076)	(35,189)
Balance, end of the period	(3,264,235)	(2,318,281)	(3,264,235)	(2,318,281)

The accompanying notes are an integral part of these consolidated financial statements

StorageVault Canada Inc.

Unaudited Interim Consolidated Statement of Income (Loss) & Comprehensive Income (Loss)

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Revenue				
Storage and related services	\$ 1,252,890	\$ 979,362	\$ 2,196,542	\$ 1,766,625
Equipment sales	-	137,560	-	137,560
Interest	5,312	943	10,823	2,280
Other	257	316	426	599
	1,258,459	1,118,181	2,207,791	1,907,064
Expenses				
Property operating costs	649,891	454,095	1,111,413	836,702
Equipment cost of sales	-	124,680	-	124,680
Selling, general and administrative	222,658	250,069	383,599	398,560
Amortization	362,008	316,074	695,651	576,966
Interest	293,670	192,881	539,932	352,865
	1,528,227	1,337,799	2,730,595	2,289,773
Net income (loss) before undernoted item	(269,768)	(219,618)	(522,804)	(382,709)
Deferred income tax recovery (Note 12)	-	-	-	-
Net income (loss) and Comprehensive income (loss)	\$ (269,768)	\$ (219,618)	\$ (522,804)	\$ (382,709)
Net income / (loss) per common share				
Basic	\$ (0.008)	\$ (0.007)	\$ (0.016)	\$ (0.011)
Diluted	\$ (0.008)	\$ (0.007)	\$ (0.016)	\$ (0.011)
Weighted average number of common shares outstanding				
Basic	33,358,151	33,471,211	33,366,136	33,471,211
Diluted	33,358,151	33,471,211	33,366,136	33,471,211

The accompanying notes are an integral part of these consolidated financial statements

StorageVault Canada Inc.
Unaudited Interim Consolidated Statement of Cash Flows

	Six months ended June 30	
	2013	2012
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	\$ (522,804)	\$ (382,709)
Adjustment for non-cash items:		
Amortization of property, plant and equipment	695,651	576,966
Amortization of deferred financing costs	38,505	-
Amortization of bond premiums	8,015	-
Amalgamation of Southline Developments Inc.	1,043	-
Stock dividend classified as interest	35,288	34,420
	255,698	228,677
Net change in non-cash working capital balances		
Accounts receivable	(21,430)	180,385
Inventory	(4,932)	(2,342)
Deposits	7,989	49,816
Other current assets	(55,277)	(133,026)
Accounts payable and accrued liabilities	153,482	100,166
Unearned revenue	31,267	9,617
	366,797	433,293
Financing activities		
Purchase of common shares	(5,050)	-
Cash dividends paid - equity component	(18,038)	(17,594)
Advances from long term debt	3,545,555	3,610,000
Repayment of long term debt	(732,287)	(206,153)
Debt issuance costs	(40,375)	(138,408)
Repayment of finance leases	-	(6,745)
	2,749,805	3,241,100
Investing activities		
Redemption of short and long term investments	133,000	-
Acquisition of Space Place Self Storage	-	(2,997,000)
Acquisition of Airport Road Self Storage	(2,609,805)	-
Additions to property, plant and equipment	(598,586)	(982,419)
Additions to intangible assets	(365)	(17,971)
Disposal of property, plant and equipment	-	6,923
	(3,075,756)	(3,990,467)
Increase / (decrease) in cash	40,846	(316,074)
Cash balance, beginning of period	233,773	694,641
Cash balance, end of period	274,619	378,567
Supplementary cash flow information:		
Cash paid during the period for:		
Interest	502,054	342,737
Income taxes	-	-

The accompanying notes are an integral part of these consolidated financial statements

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

1. Description of Business

The interim consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Corporation") as at and for the three and six months ended June 30, 2013 were authorized for issuance by the Board of Directors of the Corporation on August 22, 2013. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange. The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

The Corporation's primary business is renting both fixed and portable self storage units to residential and commercial customers in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The Corporation also actively seeks financially accretive properties in other Canadian locations in order to expand its network of portable storage units.

2. Basis of Presentation

These interim consolidated financial statements and the notes thereto present the Corporation's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the three and six months ended June 30, 2013, including 2012 comparative periods. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and accordingly these interim consolidated financial statements do not include all the necessary annual disclosures in accordance with IFRS. StorageVault Canada Inc. had no subsidiaries or special purpose entities during the three and six months ended June 30, 2012. Accordingly, only the financial results for the three and six months ended June 30, 2013 or the year ended December 31, 2012 are presented on a consolidated basis.

These interim consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended December 31, 2012. The accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the most recent annual report.

The interim consolidated financial statements have been prepared under the historical cost method, except for the revaluation of certain financial assets and financial liabilities to fair value. The interim consolidated financial statements were prepared on a going concern basis, and are presented in Canadian dollars, which is the Corporation's functional currency.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

3. Accounting policies

Basis of Consolidation

The consolidated financial statements include the accounts of StorageVault Canada Inc. and the special purpose entity 1712066 Alberta Ltd., both of which are headquartered in Regina, SK. The financial statements for the special purpose entity are prepared for the same reporting period as StorageVault Canada Inc. using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these consolidated financial statements.

As at December 31, 2012, the consolidated financial statements included the accounts of Southline Developments Ltd. On January 1, 2013, the operations and accounts of Southline Developments Ltd. were amalgamated with StorageVault Canada Inc., and the resulting entity carried on under the name StorageVault Canada Inc.

Special Purpose Entity

StorageVault Canada Inc. established the special purpose entity (SPE) 1712066 Alberta Ltd. for the purpose of refinancing a mortgage on its Regina, SK property using a defeasance process. StorageVault Canada Inc. does not have any direct or indirect shareholdings in this SPE. A SPE is consolidated if, based on an evaluation of the substance of its relationship with StorageVault Canada Inc. and the SPE's risks and rewards, StorageVault Canada Inc. concludes that it controls the SPE. The SPE controlled by StorageVault Canada Inc. was established under terms that impose strict limitations on the decision making powers of the SPE management and that result in StorageVault Canada Inc. receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of the risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

Revenue Recognition

Revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Revenue is recognized when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer.

Storage 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 storage unit. Revenue from rental agreements is recognized over the rental term pursuant to the rental agreement. Non-refundable customer deposits, which are received to hold a unit for rent at a future date, are deferred and recognized as revenue upon commencement of the rental agreement. Receipts of rental fees for future monthly periods are deferred and recognized as revenue when each respective monthly period commences. Provision is made for expected allowances as necessary.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Revenue from the sale of merchandise, including locks, boxes, packing supplies and equipment, is recognized when the merchandise is delivered to the customer. Management fee revenue is recognized in accordance with the substance of the relevant agreement. Revenue from investments is recognized when earned.

Business Combinations

All business combinations are accounted for by applying the acquisition method. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities of an acquired entity are measured at their fair value. The Corporation recognizes intangible assets as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgment and includes assumptions on the timing and amount of future incremental cash flows generated by the assets acquired and the selection of an appropriate cost of capital. The useful lives of intangible assets are estimated, and amortization charged on a straight-line basis.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity at the date of acquisition. If the cost of acquisition is less than the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity (i.e. a discount on acquisition) the difference is credited to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) in the period of acquisition. At the acquisition date, goodwill acquired is recognized as an asset and is allocated to each of the cash-generating units expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include, but are not necessarily limited to:

- Property, plant and equipment – The Corporation determines the carrying value of its property, plant and equipment based on policies that incorporate estimates, assumptions and judgments relative to the useful lives and residual values of the assets. Estimates of future cash flows are based on the most recent available market and operating data at the time the estimate is made.
- Purchase price allocations – Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.
- Bad debts – The Corporation estimates potential bad debts based on an analysis of historical collection activity and specific identification of overdue accounts. Actual bad debts may differ from estimates made.
- Income taxes - Income taxes are subject to measurement uncertainty due to the possibility of changes in tax legislation or changes in the characterization of income sources.
- Compound financial instruments – Certain compound financial instruments, such as preferred shares and convertible debentures, contain both a liability component and an equity component pursuant to IFRS. The determination of the amount attributable to each component is subject to assumptions made, and valuation models used, at the time the financial instrument is issued.
- Stock based compensation – Compensation costs accrued for stock based compensation plans are subject to the estimation of the ultimate payout using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Management judgments that may affect reported amounts of assets and liabilities, income and expenses include but are not necessarily limited to:

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash flows which make up the Cash Generating Unit ("CGU"). Determination of what constitutes a CGU is subject to management judgment. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.
- The determination of which entities constitute an SPE for the purpose of consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of an SPE.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a Business Combination. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.

Cash and Short Term Deposits

Cash and short term deposits on the Consolidated Statement of Financial Position is comprised of cash at bank and on hand, and short term, highly liquid deposits with an original maturity of 3 months or less. For the purpose of the Consolidated Statement of Cash Flows, cash and short term deposits is as defined above, net of outstanding bank overdrafts, except where no right of set-off exists.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Short Term Investments and Long Term Investments

Short term investments and long term investments consist of Government of Canada bonds with maturities greater than three months.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost, where appropriate, is determined using the first-in first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated amortization and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) during the financial period in which they are incurred. Once an asset is available for use in the location and condition intended by management, it is amortized to its residual value using the appropriate amortization rate set forth by management. Amortization is calculated using the declining balance method to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives, as follows:

Buildings	4%
Leasehold improvements	20%
Vehicles	30% to 45%
Truck decks and cranes	20%
Storage containers	30%
Fences and parking lots	8%
Furniture and equipment	20%
Computer equipment	45%

Land is not amortized.

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each Consolidated Statement of Financial Position date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the amortization charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is tested for impairment on an annual basis and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows: Franchise Agreements - 10 years; Intangible Customer Relationships - 15 months; Website Development Costs - 12 months. The cost of intangible assets acquired in a business combination is the fair value at acquisition date.

Leases

A lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period of time. Where the Corporation is a lessee and has substantially all the risks and rewards of ownership of an asset, the arrangement is considered a finance lease. Finance leases are recognized as assets of the Corporation within property, plant and equipment at the inception of the lease at the lower of fair value and the present value of the minimum lease payments. Assets held under finance leases are amortized on a basis consistent with similar owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). Other leases where the Corporation is a lessee are treated as operating leases. Payments made under operating leases are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

Where the Corporation is a lessor and has transferred substantially all the risks and rewards of ownership of an asset to a lessee, the arrangement is considered a finance lease. For finance leases, capital amounts due from lessees are recognized as financial assets of the Corporation within trade and other receivables at the inception of the lease at the amount of the net investment in the lease after making provision for bad and doubtful debts. Payments received under finance leases are apportioned between capital repayments and interest income credited to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). Other leases where the Corporation is a lessor are treated as operating leases. For operating leases, the asset is capitalized within property, plant and equipment and amortized over its useful economic life. Payments received under operating leases are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Impairment of Non-Financial Assets

The carrying values of all non-current assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, goodwill and intangible assets with indefinite useful lives are tested for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Any provision for impairment is charged to the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) in the year concerned. Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

Income Taxes

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the Consolidated Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Statement of Financial Position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the Consolidated Statement of Financial Position date.

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" ("OCI") refers to items recognized in comprehensive income but that are excluded from net income. For the three and six months ended June 30, 2013 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

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. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. 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.

Where stock options are cancelled, it is treated as if the stock options had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. However, if a new option is substituted for the cancelled option and is designated as a replacement option on the date that it is granted, the cancelled and the new options are treated as if they were a modification of the original option.

Option pricing models require the 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. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

Loss per Share

Basic earnings per common share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the period. Diluted net earnings per share is calculated by dividing the net earnings by the weighted average number of shares outstanding as adjusted for the potential dilution that would occur if outstanding stock options, subordinated debentures, preferred shares or other potentially dilutive financial instruments were exercised or converted to common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds received.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Segment Reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Corporation's CEO in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Financial Instruments

Financial assets can be classified as "fair value through profit or loss" ("FVTPL"), "loans and receivables", "available-for-sale" or "held-to-maturity". Financial liabilities can be classified as FVTPL or "other financial liabilities".

All financial instruments are measured at fair value plus transaction costs on initial recognition of the instrument with the exception of financial instruments classified at FVTPL, which are measured at fair value and any associated transaction costs are expensed as incurred.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Corporation's FVTPL assets consist of cash and short term deposits.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation's loans and receivables consist of accounts receivable.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any other category. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an available for sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Corporation currently has no assets which are designated as available for sale.

Held to maturity financial assets

If the Corporation has the positive intent and ability to hold certain financial assets to maturity, then such financial assets are classified as held to maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation's held to maturity financial assets consist of short term investments and long term investments. These investments are comprised of Government of Canada bonds and cash substituted for mortgage security under defeasance arrangements.

Financial liabilities at FVTPL

Financial assets are classified as FVTPL if they are designated as such by management, or they are derivatives. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Corporation currently has no liabilities which are designated as FVTPL.

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Financing fees and other costs incurred in connection with debt financing are deducted from the cost of the debt and amortized using the effective interest method.

The Corporation's other financial liabilities consist of accounts payable and accrued liabilities, finance lease obligations, and long term debt.

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.

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 3 - Continued

Accounting Standards Issued but not yet Adopted

The International Accounting Standards Board (the "IASB") or the International Financial Reporting Interpretations Committee (the "IFRIC") have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation. There have been no pronouncements in addition to those disclosed in the December 31, 2012 annual audited financial statements.

4. Acquisitions

On March 27, 2013, the Corporation completed the acquisition from an arm's length vendor of the assets and operations of Airport Road Self Storage located in London, Ontario. The facility has approximately 50,000 square feet of rentable self-storage space with outdoor space for storage of vehicles. StorageVault intends to develop and operate a PUPS portable storage business in London in conjunction with the acquisition of the self-storage facility.

A summary of the assets acquired and liabilities assumed using the purchase method of accounting is as follows:

Land	272,000
Buildings	2,150,000
Vehicles and equipment	10,193
Goodwill	142,807
Net Assets Acquired	<u>2,575,000</u>

In addition to the above, the Corporate paid \$34,805 in land transfer taxes to complete this acquisition.

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

Proceeds from first mortgage on the property	<u>2,575,000</u>
	<u>2,575,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	79,649
Operating costs	34,220
Amortization	19,339
Interest	26,007
Net income (loss)	<u>83</u>

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

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

5. Cash and Short Term Deposits

Cash represents balances on deposit at a Canadian Chartered Bank. These balances earn interest at Bank Prime less 2.25% when a minimum balance of \$100,000 is maintained. Term deposits, when used, are short term, highly liquid deposits with an original maturity of 3 months or less.

Restricted cash for the purposes of securing operating letters of credit and corporate credit card lines as at June 30, 2013 was \$nil (December 31, 2012 - \$69,702).

6. Short Term Investments and Long Term Investments

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Short Term Investments		
Government of Canada bonds		
- maturing March 2013 bearing interest of 1.75%		33,048
- maturing June 2013 bearing interest of 3.50%		101,100
- maturing June 2014 bearing interest of 3.00%	<u>103,875</u>	
	<u>103,875</u>	<u>134,148</u>
Long Term Investments		
Government of Canada bonds		
- maturing June 2014 bearing interest of 3.00%	-	104,803
- maturing June 2015 bearing interest of 2.50%	<u>108,839</u>	109,545
- maturing June 2016 bearing interest of 2.00%	<u>1,410,519</u>	<u>1,415,751</u>
	<u>1,519,358</u>	<u>1,630,099</u>
	<u>1,623,233</u>	<u>1,764,247</u>

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

For the Three and Six Months Ended June 30, 2013 and 2012

*(Unaudited)***7. Property, Plant and Equipment**

	<u>Land, Yards, Buildings & Improvements</u>	<u>Storage Containers</u>	<u>Vehicles</u>	<u>Office & Computer Equipment</u>	<u>Total</u>
COST					
December 31, 2011	14,289,531	2,013,887	1,097,693	139,901	17,541,012
Additions	2,241,668	545,708	228,701	14,822	3,030,899
Disposals	-	(4,680)	(3,000)	(2,243)	(9,923)
Business acquisitions	2,832,000	-	25,000	30,000	2,887,000
December 31, 2012	19,363,199	2,554,915	1,348,394	182,480	23,448,988
Additions	24,072	394,108	167,195	13,211	598,586
Disposals	-	-	-	-	-
Business acquisitions	2,456,805	-	10,193	-	2,466,998
June 30, 2013	21,844,076	2,949,023	1,525,782	195,691	26,514,572
ACCUMULATED AMORTIZATION					
December 31, 2011	1,100,628	828,675	407,430	66,584	2,403,317
Amortization	502,486	436,718	220,193	26,653	1,186,050
Disposals	-	-	-	-	-
December 31, 2012	1,603,114	1,265,393	627,623	93,237	3,589,367
Amortization	292,218	222,986	115,507	13,515	644,226
Disposals	-	-	-	-	-
June 30, 2013	1,895,332	1,488,379	743,130	106,752	4,233,593
NET BOOK VALUE					
December 31, 2011	13,188,903	1,185,212	690,263	73,317	15,137,695
December 31, 2012	17,760,085	1,289,522	720,771	89,243	19,859,621
June 30, 2013	19,948,744	1,460,644	782,652	88,939	22,280,979

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

For the Three and Six Months Ended June 30, 2013 and 2012

*(Unaudited)***8. Intangible Assets**

	<u>Goodwill</u>	<u>Other Intangible Assets</u>			<u>Total</u>
		<u>Franchise Agreements</u>	<u>Tenant Relationships</u>	<u>Website Development</u>	
COST					
December 31, 2011	1,448,607	20,000	506,000	-	526,000
Capital expenditures	-	-	-	21,468	21,468
Acquisitions	10,000	-	100,000	-	100,000
December 31, 2012	1,458,607	20,000	606,000	21,468	647,468
Capital expenditures	-	-	-	365	365
Acquisitions	142,807	-	-	-	-
June 30, 2013	1,601,414	20,000	606,000	21,833	647,833
ACCUMULATED AMORTIZATION					
December 31, 2011	-	6,400	504,666	-	511,066
Amortization	-	2,400	54,667	11,613	68,680
December 31, 2012	-	8,800	559,333	11,613	579,746
Amortization	-	1,200	40,005	10,220	51,425
June 30, 2013	-	10,000	599,338	21,833	631,171
NET BOOK VALUE					
December 31, 2011	1,448,607	13,600	1,334	-	14,934
December 31, 2012	1,458,607	11,200	46,667	9,855	67,722
June 30, 2013	1,601,414	10,000	6,662	-	16,662

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

9. Long Term Debt

	June 30, 2013			December 31, 2012		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Term Debt</u>						
Fixed Rate			-	5.12% - 5.60%	5.30%	339,347
				<i>Maturities: January 2014 - July 2017</i>		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	984,301	Prime plus 1.00% or BA plus 2.75%	4.00%	100,308
				<i>Maturities: January 2018 - June 2021</i>		
				<i>Maturity: May 2021</i>		
<u>Mortgages</u>						
Fixed Rate	5.00% - 6.10%	5.80%	5,607,151	5.00% - 6.10%	5.80%	5,691,590
				<i>Maturities: March 2014 - November 2015</i>		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	4.00%	5,188,020	Prime plus 1.00% or BA plus 2.75%	4.00%	2,691,994
				<i>Maturities: November 2017 - March 2018</i>		
Variable Rate	BDC Floating Base plus 0.00% - 0.15%	5.05%	4,173,497	BDC Floating Base plus 0.00% - 0.15%	5.05%	4,258,792
				<i>Maturities: June 2030 - May 2038</i>		
<u>Other</u>						
Convertible Debentures	9.50%	9.50%	320,000	9.50%	9.50%	320,000
				<i>Maturity: May 2014</i>		
Defeasance Obligation	1.09%	1.09%	1,732,114	1.09%	1.09%	1,789,785
				<i>Maturity: August 2016</i>		
Deferred financing costs net of amortization of \$26,770 (December 31, 2012 - \$6,985)			(471,813)			(469,945)
			17,533,270			14,721,871
Less current portion			1,281,163			794,753
			16,252,107			13,927,118

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 9 - Continued

The bank Prime rate at June 30, 2013 was 3.00% (December 31, 2012 - 3.00%). The BDC Floating Base rate at June 30, 2013 was 5.00% (December 31, 2012 - 5.00%).

Term debt is secured by a charge against specific assets. Mortgages are secured by a first charge on the properties of the Corporation. The defeasance obligation is secured by Government of Canada bonds recorded as Short Term Investments and Long Term Investments (see Note 6).

The deferred financing costs are made up of fees and costs incurred to obtain the related mortgage financing, less accumulated amortization.

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, a special purpose entity whose financial statements are consolidated with those of StorageVault Canada Inc.

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

1. A revolving, committed facility of up to \$20,000,000 for the acquisition and / or refinancing of self-storage and PUPS portable storage facilities. As at June 30, 2013, the Corporation had assets with a total book values of \$2,649,641 (December 31, 2012 - \$2,748,698) pledged to this segment. As at June 30, 2013, the Corporation had drawn \$5,188,020 (December 31, 2012 - \$2,691,994) on this segment and \$762,080 remains available to be drawn in the future based on assets pledged to date.
2. A revolving, committed facility of up to \$2,000,000 for the acquisition of PUPS portable storage containers. As at June 30, 2013, the Corporation had drawn \$522,210 (December 31, 2012 - \$100,308) on this segment.
3. A revolving, committed facility of up to \$1,000,000 for the acquisition of other capital assets used in connection with the Corporations activities. As at June 30, 2013, the Corporation had drawn \$462,091 (December 31, 2012 - \$nil) on this segment.

The interest rate on each of the segments above is bank prime plus 1.00% or Bankers' Acceptance rate plus 2.75%. Funding is secured by first mortgage charges on fixed and portable storage properties and assets. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of June 30, 2013, the Corporation is in compliance with all covenants.

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

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 9 - Continued

In addition to the first charge on related land and property under mortgages noted above, long term debt is secured by general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation is also subject to bank covenant ratios relating to annual cash flow coverage, annual cash flow coverage ratio net of distributions, and total debt to tangible net worth relating to one fixed rate mortgage. The Corporation believes it is in compliance these bank covenants as at June 30, 2013.

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

2013	(balance of year)	479,188
2014		1,286,813
2015		978,569
2016		2,310,446
2017		883,213

The Corporation's \$320,000 of convertible debentures are redeemable, with proper notice, at the option of the Corporation between May 13, 2012 and May 13, 2013 at 102% of face value; and any time after May 13, 2013 at 100% of face value. They mature May 13, 2014. At any time prior to maturity of the debenture, the holder may convert any or all of the face value of the debentures into common shares of the Corporation at the price of \$0.32 per common share. At the time of issuance of the debentures, the fair value of the equity component of the debentures was considered immaterial and the full amount of the debentures was considered debt.

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

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

10. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2011	4,148,171	2,745,007
Debt component of stock dividends paid	104,681	69,271
Balance, December 31, 2012	<u>4,252,852</u>	<u>2,814,278</u>
Debt component of stock dividends paid	53,327	35,288
Balance, June 30, 2013	<u><u>4,306,179</u></u>	<u><u>2,849,566</u></u>

Two investment funds managed by PFM Capital Inc. of Regina, SK committed to make a \$4,000,000 preferred share investment in the Corporation. The preferred share financing was drawn down by the Corporation in two tranches of \$2 million each with the first tranche having been drawn down on the closing date of March 17, 2010 and the second tranche drawn on October 15, 2010.

The preferred shares pay a fixed-rate cumulative dividend of 5% per year payable as follows: i) 2.5% in cash payable quarterly, in arrears, from each respective drawdown date, calculated for the immediately preceding period, and; ii) 2.5% in preferred shares, credited quarterly, in arrears from each respective drawdown date, calculated for the immediately preceding period.

The preferred shares are convertible at the holder's option into common shares of the Corporation for a period of three years from each respective drawdown date at a conversion price of \$0.30 and are retractable by the holder after the third anniversary of each respective drawdown date. The preferred shares are redeemable by the Corporation any time after the fourth anniversary of each respective drawdown date. Effective December 27, 2012, the shareholders and the issuer have agreed to amend the features such that the shares are retractable by the holder after the fourth anniversary of each respective drawdown date and are redeemable by the Corporation any time after the fifth anniversary of each respective drawdown date.

The preferred shares have a liability component because of the retraction feature and an equity component because of the conversion feature. The residual value method was used to value the liability component of the preferred shares.

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

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

11. Share Capital

Authorized: Unlimited number of common shares

Authorized: Unlimited number of preferred shares issuable in series

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2011	33,471,211	6,466,915
Acquired and cancelled-normal course issuer bid	(97,000)	(18,740)
Balance, December 31, 2012	<u>33,374,211</u>	<u>6,448,175</u>
Acquired and cancelled-normal course issuer bid	(18,500)	(3,575)
Balance, June 30, 2013	<u><u>33,355,711</u></u>	<u><u>6,444,600</u></u>

On June 6, 2012, the Corporation received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation, during the 12-month period commencing June 12, 2012, up to 1,673,561 of its common shares, representing 5% of the common shares outstanding as at June 5, 2012. The program ended on June 12, 2013. As of June 30, 2013 the Corporation had purchased through the Exchange 115,500 shares at an average price of \$0.2638 per share for a total cost of \$30,470. A total of 115,500 shares had been cancelled. The carrying amount of share capital was reduced by \$0.1932 per share for a total reduction of \$22,315. The remaining \$8,155 has been charged to Retained Earnings / (Deficit).

Preferred shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2011	4,148,171	1,367,014
Dividends-shares credited to account	104,681	35,410
Balance, December 31, 2012	<u>4,252,852</u>	<u>1,402,424</u>
Dividends-shares credited to account	53,327	18,038
Balance, June 30, 2013	<u><u>4,306,179</u></u>	<u><u>1,420,462</u></u>

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

For the Three and Six Months Ended June 30, 2013 and 2012

*(Unaudited)***Note 11 - Continued***Contributed surplus:*

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Opening balance	470,208	470,208
Stock based compensation	-	-
Ending balance	<u>470,208</u>	<u>470,208</u>

Stock Options

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 10 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.

The following table summarizes information about stock options outstanding as at:

	<u>June 30, 2013</u>		<u>December 31, 2012</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,200,000	\$0.22	3,200,000	\$0.22
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,200,000</u>	<u>\$0.22</u>	<u>3,200,000</u>	<u>\$0.22</u>

Stock options outstanding are as follows:

Exercise Price	Expiry Date	Outstanding June 30, 2013	Outstanding December 31, 2012
\$0.20	Nov 5, 2017	1,000,000	1,000,000
\$0.23	May 6, 2019	2,200,000	2,200,000

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

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

12. Income Taxes

The Corporation has non-capital losses of \$2,196,486 which expire as follows:

Non-capital loss carry forwards available until:	2027	63,854
	2028	296,264
	2029	272,049
	2030	530,627
	2031	319,883
	2032	713,809
		<u>\$ 2,196,486</u>

13. Financial Risk Management and Fair Value

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 fair values of the Corporation's cash and short term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amount because of short period to scheduled receipt or payment of cash. The fair value of the Corporation's debt obligations, including the liability component of preferred shares 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. The fair value of financial assets and liabilities were as follows:

	<u>As at June 30, 2013</u>		<u>As at December 31, 2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	274,619	274,619	233,773	233,773
Loans and Receivables				
Accounts receivable	133,605	133,605	112,175	112,175
Held to Maturity				
Short term investments	103,875	103,875	134,148	134,148
Long term investments	1,519,358	1,519,358	1,630,099	1,630,099
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	569,626	569,626	416,144	416,144
Long term debt	17,533,270	18,100,000	14,721,871	15,233,000
Preferred shares	2,849,566	2,544,000	2,814,278	2,188,000

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 13 - Continued

IFRS establishes a three tier fair value hierarchy to reflect the significance of the inputs used in measuring the fair value of the Corporation's financial instruments. The three levels are:

Level 1 – This level includes assets and liabilities measured at fair market value based on unadjusted quoted prices for identical assets and liabilities in active markets that the Corporation can access on the measurement date.

Level 2 – This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

Level 3 – The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value instrument.

The following table presents information on the Corporation's assets and liabilities measured at fair value and indicates the fair value hierarchy of the valuation techniques used to determine this fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and short term deposits	\$ 274,619	-	-	\$ 274,619
Short term investments	\$ 103,875	-	-	\$ 103,875
Long term investments	\$1,519,358	-	-	\$1,519,358

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 arises from changes in market interest rates that may affect the fair value of future cash flows from the Corporation's financial assets or liabilities. Interest rate risk may be partially mitigated by holding both fixed and floating rate debt, or by staggering the maturities of fixed rate debt. 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.
-

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 13 - Continued

- 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.

The following table sets forth details of accounts receivable and related allowance for doubtful accounts:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Accounts receivable under 30 days aged	\$123,360	\$111,285
Accounts receivable over 30 days aged	29,050	19,615
Allowance for doubtful accounts	<u>(18,805)</u>	<u>(18,725)</u>
	\$133,605	\$112,175

- 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. 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.
- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liabilities 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 Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

14. Related Party Transactions

During the three and six months ended June 30, 2013, the Corporation paid total management fees of \$122,723 and \$165,983, respectively (June 30, 2012 - \$103,936 and \$145,936, 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 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 for the three and six months ended June 30, 2013, for performance fee relating to the prior fiscal year was \$78,598 and \$78,598, respectively (June 30, 2012 - \$61,096 and \$61,096, respectively).

During the three and six months ended June 30, 2013, the Corporation reimbursed travel and related expenses of \$16,884 and \$26,408, respectively (June 30, 2012 - \$9,787 and \$17,008, 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, 2013, the Corporation paid loan guarantee fees of \$2,178 and \$4,356, respectively (June 30, 2012 - \$2,178 and \$4,356, respectively) to Alan A. Simpson and loan guarantee fees of \$2,178 and \$4,356, respectively (June 30, 2012 - \$2,178 and \$4,356, 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 annual rate of 0.5% of the original mortgage principal, per person.

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. The Corporation pays a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the three and six months ended June 30, 2013, the Corporation paid \$22,449 and \$37,820, respectively (June 30, 2012 - \$17,356 and \$31,397, respectively) for royalties and \$152,934 and \$540,194, respectively (June 30, 2012 - \$287,963 and \$519,369, respectively) for storage containers and other equipment under the Master Franchise Agreement.

During the year ended December 31, 2009, the Corporation issued \$320,000 of convertible, unsecured debentures of which \$210,000 was issued to officers, directors and spouses of directors of the Corporation. During the three and six months ended June 30, 2013, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$4,988 and \$9,975, respectively (June 30, 2012 - \$4,988 and \$9,975, respectively).

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

Note 14 - Continued

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at June 30, 2013 was \$97,595 (December 31, 2012 - \$72,210) payable to CPFI and \$85,013 (December 31, 2012 - \$2,570) payable to Detteson.

15. 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. 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 deposits. 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, 2013 is 51.4% (December 31, 2012 - 54.1%).

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

StorageVault Canada Inc.

Notes to the Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2013 and 2012

(Unaudited)

16. Segmented Information

The Corporation operates three reportable business segments. Each segment is a component of the Corporation for which separate discrete financial information is available for evaluation by the chief decision makers of the Corporation. The reportable segments are defined by their product offering, being Fixed Self Storage, Portable Storage and Equipment Sales

- Fixed Self Storage – often called “mini-storage”, this involves the customer renting a secure storage space in a building maintained by the Corporation and transporting his/her possessions to the Corporation’s facilities for short or long term storage. The Corporation’s facilities range from 135 to over 500 rental units. Fixed Self Storage facilities may also include space for storing vehicles, and/or small commercial operations.
- Portable Storage – this segment involves delivering a storage container to the tenant’s residence or place of business using a specially modified truck. The storage containers range from 2 meters to 6 meters in length. The tenant can opt to keep the storage container at his/her location for the duration of the tenancy or have it moved to another location for further storage.
- Equipment Sales – involves the purchase and resale of equipment used in the either the Fixed Self Storage or Portable Storage industries.

The Corporation evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization and share based compensation. The accounting policies for the business segments are the same as those described in Note 3 – Accounting Policies. Corporate costs are not allocated to the segments and are shown separately below.

For the Three Months Ended June 30, 2013

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 688,309	\$ 564,581	\$ -	\$ 257	\$ 1,253,147
Operating expenses	292,051	357,840	-	222,658	872,549
Interest revenue	-	-	-	5,312	5,312
Interest expense	185,050	28,875	-	79,745	293,670
Amortization	168,013	188,188	-	5,807	362,008
	43,195	(10,322)	-	(302,641)	(269,768)
Gain on disposal	-	-	-	-	-
Net income/(loss)	\$ 43,195	\$ (10,322)	\$ -	\$ (302,641)	\$ (269,768)
Acquisition of Property, Plant & Equipment	2,217	184,836	-	4,471	191,524
Acquisition of Intangible Assets	-	-	-	-	-

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

For the Three and Six Months Ended June 30, 2013 and 2012

*(Unaudited)***Note 16 - Continued****For the Three Months Ended June 30, 2012**

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 565,834	\$ 413,528	\$ 137,560	\$ 316	\$ 1,117,238
Operating expenses	218,684	235,411	124,680	250,069	828,844
Interest revenue	-	-	-	943	943
Interest expense	138,737	11,626	-	42,518	192,881
Amortization	147,466	165,459	-	3,149	316,074
	60,947	1,032	12,880	(294,477)	(219,618)
Gain on disposal	-	-	-	-	-
Net income/(loss)	\$ 60,947	\$ 1,032	\$ 12,880	\$ (294,477)	\$ (219,618)
Acquisition of Property, Plant & Equipment	3,386,927	381,948	-	2,627	3,771,502
Acquisition of Intangible Assets	110,000	-	-	17,971	127,971

For the Six Months Ended June 30, 2013

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 1,273,383	\$ 923,159	\$ -	\$ 426	\$ 2,196,968
Operating expenses	535,940	575,473	-	383,599	1,495,012
Interest revenue	-	-	-	10,823	10,823
Interest expense	342,116	52,783	-	145,033	539,932
Amortization	319,652	362,811	-	13,188	695,651
	75,675	(67,908)	-	(530,571)	(522,804)
Gain on disposal	-	-	-	-	-
Net income/(loss)	\$ 75,675	\$ (67,908)	\$ -	\$ (530,571)	\$ (522,804)
Acquisition of Property, Plant & Equipment	2,476,356	579,713	-	9,515	3,065,584
Acquisition of Intangible Assets	142,807	-	-	365	143,172

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

For the Three and Six Months Ended June 30, 2013 and 2012

*(Unaudited)***Note 16 - Continued****For the Six Months Ended June 30, 2012**

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 1,053,141	\$ 713,484	\$ 137,560	\$ 599	\$ 1,904,784
Operating expenses	409,016	427,686	124,680	398,560	1,359,942
Interest revenue	-	-	-	2,280	2,280
Interest expense	251,248	17,184	-	84,433	352,865
Amortization	259,586	312,729	-	4,651	576,966
	133,291	(44,115)	12,880	(484,765)	(382,709)
Gain on disposal	-	-	-	-	-
Net income/(loss)	\$ 133,291	\$ (44,115)	\$ 12,880	\$ (484,765)	\$ (382,709)
Acquisition of Property, Plant & Equipment	3,390,280	476,266	-	2,872	3,869,418
Acquisition of Intangible Assets	110,000	-	-	17,791	127,791

Total Assets

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
As at June 30, 2013	\$ 18,724,154	\$ 5,347,212	\$ -	\$ 2,044,864	\$ 26,116,230
As at June 30, 2012	\$ 16,267,281	\$ 3,997,649	\$ -	\$ 541,503	\$ 20,806,433
As at December 31, 2012	\$ 16,413,250	\$ 4,229,798		\$ 2,986,595	\$ 23,629,643

17. Subsequent Events

On July 26, 2013, the Corporation completed the redemption of 100% of the 9.5% convertible debentures originally issued in May, 2009 and originally due in May, 2014, by paying \$320,000, plus accrued interest to the date of redemption. The redemption was financed by drawing upon existing credit facilities with an interest rate presently at 4.00%

StorageVault Canada Inc.

DIRECTORS

Dan Baldwin
Regina, SK

Paul G. Smith
Toronto, ON

Alan Simpson
Regina, SK

Glenn Fradette
Regina, SK

Rob Duguid
Regina, SK

OFFICERS

Alan Simpson
Chief Executive Officer

Glenn Fradette
Chief Financial Officer

LEGAL COUNSEL

Davis LLP
Livingston Place
1000 – 250 2nd St S.W.
Calgary, AB T2P 0C1
Telephone 403-296-4470
Facsimile 403-296-4474

AUDITORS

MNP LLP
Royal Bank Building
Suite 900, 2010 – 11th Avenue
Regina, SK S4P 0J3
Telephone 306-790-7900
Facsimile 306-790-7990

HEAD OFFICE

StorageVault Canada Inc.
6050 Diefenbaker Avenue
P.O Box 32062
Regina, SK S4N 7L2
Telephone 306-546-5999
Facsimile 306-359-0133

REGISTRAR & TRANSFER AGENT

TMX Equity Transfer Services
505 – 3rd St S.W., Suite 850
Calgary, AB T2P 3E6
Telephone 403-265-0208
Facsimile 403-265-0232

TSX VENTURE EXCHANGE LISTING

SVI
