

**StorageVault Canada Inc.**  
**Financial Statements**

For the Three Months ended March 31, 2008

(Unaudited)



# StorageVault Canada Inc.

## Balance Sheet

As at March 31, 2008

(unaudited)

	March 31, 2008	December 31, 2007
<b>Assets</b>		
Current Assets		
Cash (Note 4)	\$ 213,263	\$ 304,636
Short term investments (Notes 4 and 5)	1,012,680	1,006,027
GST receivable	3,930	4,815
Deposits	35,000	25,000
Prepaid expenses	5,000	2,500
	<u>\$ 1,269,873</u>	<u>\$ 1,342,978</u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 26,833	\$ 20,621
Shareholders' Equity		
Share capital (Note 6)	1,332,966	1,332,966
Contributed surplus (Note 6)	100,420	100,420
Deficit	(190,346)	(111,029)
	<u>1,243,040</u>	<u>1,322,357</u>
	<u>\$ 1,269,873</u>	<u>\$ 1,342,978</u>

Commitments (Note 10)

**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

For the Three Months ended March 31, 2008 and March 31, 2007

*(unaudited)*

	March 31, 2008	March 31, 2007
<b>Revenues</b>	\$ 8,808	\$ -
<b>Expenses</b>		
Administrative services (Note 8)	4,800	-
Listing fees	5,000	-
Professional fees	71,180	-
Office and general	7,145	-
Stock based compensation	-	-
	88,125	-
<b>Net Loss and Comprehensive Loss</b>	\$ (79,317)	\$ -
Deficit, beginning of period	(111,029)	-
Deficit, end of period	\$ (190,346)	\$ -
Basic and diluted net loss per common share	\$ (0.008)	-
Weighted average number of common shares outstanding	10,000,000	-

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

## StorageVault Canada Inc.

### Statement of Cash Flows

For the Three Months ended March 31, 2008 and March 31, 2007

(unaudited)

	March 31, 2008	March 31, 2007
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Net Loss	\$ (79,317)	\$ -
Net change in non-cash working capital balances		
Receivables	885	-
Deposits	(10,000)	-
Prepaid expenses	(2,500)	-
Accounts payable and accrued liabilities	6,212	-
	(84,720)	-
<b>Financing activities</b>		
Issuance of common shares, net of costs	-	-
<b>Investing activities</b>		
Purchase of short term investments	(6,653)	-
Decrease in cash	(91,373)	-
Cash balance, beginning of period	304,636	-
Cash balance, end of period	213,263	-
<b>Supplementary cash flow information</b>		
Cash paid during the period for:		
Interest	-	-
Income taxes	-	-

The accompanying notes are an integral part of these financial statements

## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Three Months ended March 31, 2008 and March 31, 2007

*(Unaudited)*

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#### **1. Incorporation, nature and continuance of operations**

StorageVault Canada Inc. (the "Corporation"), incorporated under the Business Corporations Act of Alberta on May 31, 2007, is classified as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange"). As a capital pool company, the principal business of the Corporation will be to identify and evaluate businesses and assets with a view to potentially acquire them or an interest therein as a result of the closing of a purchase transaction, the exercising of an option or any concomitant transaction (the "Qualifying Transaction"). The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the rules of the Exchange.

Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Corporation to fund its potential operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

The Corporation has not commenced operations at the balance sheet date.

#### **2. Unaudited interim financial statements**

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, 2007. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that can be expected for the year ended December 31, 2008.

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## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Three Months ended March 31, 2008 and March 31, 2007

*(Unaudited)*

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#### **3. Accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below:

##### *Use of Estimates*

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 reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes the estimates are reasonable, actual results could differ from those estimates. 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.

##### *Short Term Investments*

Short term investments consist of highly liquid short term investments that are redeemable in less than 90 days. Short term investments are valued at fair market value with changes in fair market value recorded in operations.

##### *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.

##### *Revenue Recognition*

Revenue consists of investment income which is recognized when earned.

##### *Share Issuance Costs*

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

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## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Three Months ended March 31, 2008 and March 31, 2007

*(Unaudited)*

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#### *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.

#### *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.

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## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Three Months ended March 31, 2008 and March 31, 2007

*(Unaudited)*

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#### *Financial Instruments continued*

The Corporation's held for trading financial instruments consist of cash, short term investments, and accounts payable and accrued liabilities. 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.

#### *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.

#### *Change in Accounting Policies*

Effective January 1, 2008, the Corporation adopted the following recently introduced Canadian Institute of Chartered Accountants (CICA) Handbook sections:

- a) Section 1535, "Capital Disclosures" requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in note 9 – Capital Risk Management.
  
  - b) Section 3862, "Financial Instruments – Disclosures", and Section 3863 "Financial Instruments – Presentation" supersede Section 3861 – Financial Instruments – Disclosure and Presentation. These new Sections provide standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with financial instruments. They also establish standards for presentation of financial instruments and non-financial derivatives. The adoption of these sections has no material impact on the financial statements.
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## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Three Months ended March 31, 2008 and March 31, 2007

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#### 4. Restricted Cash

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expense of the Corporation. These restrictions apply until the completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

#### 5. Short Term Investments

Short term investments consist of a one year floating rate GIC, issued on December 17, 2007 and redeemable in part or in full any time after January 17, 2008. The interest rate is floating at Canadian Western Bank prime less 2.25%.

#### 6. Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Common shares issued:

	Shares	Amount
Balance at May 31, 2007	-	\$ -
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 at December 31, 2007 and March 31, 2008	10,000,000	\$ 1,332,966

The seed capital shares were issued for cash and are subject to a CPC Escrow agreement. Under the agreement, 10% of the escrowed shares will be 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.

On November 12, 2007, the Corporation's common shares were listed on the TSX Venture Exchange following the completion of its initial public offering, pursuant to which it issued 5,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$1,000,000. Costs associated with the initial public offering were comprised of legal fees, audit fees, agent's commissions, and other fees.

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## StorageVault Canada Inc.

### Notes to the Financial Statements

For the Three Months ended March 31, 2008 and March 31, 2007

(Unaudited)

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#### *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 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.

Pursuant to an initial public offering closed in November, 2007, the Corporation granted 1,000,000 stock options, which vested immediately and have an exercise price of \$0.20 per share and will expire on November 5, 2012. The Corporation also granted stock options to the agent when they completed its initial public offering to acquire 400,000 common shares which is equal to 8% of the common shares issued under the initial public offering. The options vested immediately and have an exercise of \$0.20 per share and expire November 12, 2009.

In accordance with CICA 3870, the fair value of stock options granted during the period 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 3.75%; dividend yield of 0%; a volatility factor of the expected market price of the Corporation's shares of 39%; and an expected option life of 2 years for the agent's options and 5 years for the directors and officers options. The estimated fair value of the options issued to the directors and officers was \$0.0805 per option, and \$0.0498 for the agent.

For the period ended December 31, 2007, included in the statement of operations was stock-based compensation expense of \$80,500 relating to the fair value stock options granted to directors and officers. Included in share issuance costs is \$19,920 relating to the fair value of stock options granted to the agent. The total amount charged to contributed surplus was \$100,420.

Stock options outstanding are as follows:

Exercise Price	Expiry Date	Outstanding March 31, 2008	Outstanding December 31, 2007
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.20	Nov 12, 2009	400,000	400,000

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#### **7. Income Taxes**

As at December 31, 2007, the Corporation has approximately \$30,500 of non-capital losses carried forward available to reduce taxable income for future years. The losses expire December 31, 2027.

#### **8. Related Party Transactions**

Pursuant to the CPC Policy, the Corporation has entered into an administration services agreement dated November 6, 2007 with Canadian PUPS Storage Inc. (Canadian PUPS). Canadian PUPS is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors of the Corporation. The administration services agreement provides for the payment by the Corporation of \$1,600 per month to Canadian PUPS for expenses relating to, among other things, rent payable in connection with the Corporation's use of office space, postage, office supplies and other reasonable out-of-pocket expenses incurred by Canadian PUPS in pursuing the Corporation's objectives. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. For the three months ended March 31, 2008, an amount of \$4,800 has been recorded in Administrative Expenses for these services.

#### **9. 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.

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## **StorageVault Canada Inc.**

### **Notes to the Financial Statements**

For the Three Months ended March 31, 2008 and March 31, 2007

*(unaudited)*

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#### **10. Commitments**

On December 4, 2007, the Corporation announced that it entered into an acquisition agreement with T.C. Mini-Storage Ltd. pursuant to which the Corporation will acquire the assets and the business of owning and operating a self-store rental storage facility in Regina, Saskatchewan. This arms' length transaction is intended to constitute the Corporation's qualifying transaction pursuant to the TSX Venture Exchange, and is subject to compliance with all necessary regulatory approvals.

Under the acquisition agreement, the Corporation will acquire the assets of T.C. Mini-Storage Ltd. comprised of a self storage facility of 8 buildings built between 1996 and 1998, with 351 units, approximately 8.3 acres of land. The purchase price of \$2,660,000 is comprised of \$898,363 in cash, a \$10,000 cash payment in respect of exercising an option to extend the closing for an additional 30 days from March 31, 2008, and an assumption of a first mortgage on the property of approximately \$1,751,637. Concurrent with the execution of the agreement, the Corporation paid a \$25,000 non-refundable deposit which will be applied to the purchase price upon closing.

Under the acquisition agreement, should the transaction not close on or before April 30, 2008, the Corporation, at its sole discretion has the option to extend the closing date for additional thirty day periods at a cost to the Corporation of \$10,000 per each thirty day extension. Each such extension fee shall be in addition to the purchase price of \$2,660,000 and shall become payable at closing. The Corporation intends to exercise its option to extend if necessary.

Two officers of the Corporation will be required to provide personal guarantees as security for the mortgage assumed. Compensation for provision of the personal guarantees in the amount of 1% per year of the outstanding mortgage principal will commence when the mortgage is assumed.

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# StorageVault Canada Inc.

## **DIRECTORS**

Dan Baldwin  
Regina, SK

Paul G. Smith  
Toronto, ON

Alan Simpson  
Regina, SK

Glenn Fradette  
Regina, SK

## **OFFICERS**

Alan Simpson  
Chief Executive Officer

Glenn Fradette  
Chief Financial Officer

## **LEGAL COUNSEL**

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## **TSX VENTURE EXCHANGE LISTING**

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