

StorageVault Canada Inc.
Financial Statements

For the Three Months ended March 31, 2010 and 2009

(Unaudited)



StorageVault Canada Inc.

Balance Sheets

As at March 31, 2010

(unaudited)

	March 31	December 31
	2010	2009
Assets		
Current		
Cash	\$ 2,071,442	\$ 311,885
Accounts receivable	107,531	155,582
Inventory	3,264	3,986
Deposits	50,436	109,468
Other current assets	56,025	64,934
	<u>\$ 2,288,698</u>	<u>\$ 645,855</u>
Income producing properties (Note 3)	9,794,823	9,846,270
Intangible assets (Note 4)	53,071	122,667
Goodwill (note 5)	1,448,607	1,448,607
	<u>\$ 13,585,199</u>	<u>\$ 12,063,399</u>
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 149,336	\$ 332,698
Unearned revenue	33,700	29,067
Current portion of capital lease obligations (Note 6)	30,201	40,164
Current portion of long term debt (Note 7)	295,449	292,932
	<u>508,686</u>	<u>694,861</u>
Capital lease obligations (Note 6)	27,141	27,139
Long term debt (Note 7)	5,415,324	5,487,775
Preferred shares (Note 8)	1,127,119	-
	<u>7,078,270</u>	<u>6,209,775</u>
Shareholders' Equity		
Common Shares (Note 9)	6,513,186	6,513,186
Preferred Shares (Note 9)	852,781	-
Contributed surplus (Note 9)	470,208	470,208
Deficit	(1,329,246)	(1,129,770)
	<u>6,506,929</u>	<u>5,853,624</u>
	<u>\$ 13,585,199</u>	<u>\$ 12,063,399</u>

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

(unaudited)

	2010	2009
Revenue		
Storage and related services	\$ 445,869	\$ 250,814
Interest and other	7,217	3,786
	<u>453,086</u>	<u>254,600</u>
Expenses		
Property operating costs	220,861	84,366
Selling, general and administrative	92,498	124,070
Stock based compensation	-	-
Amortization	246,374	172,543
Interest	92,829	48,156
	<u>652,562</u>	<u>429,135</u>
Loss before income taxes	(199,476)	(174,535)
Future income tax recovery (Note 10)	-	-
Net Loss and Comprehensive Loss	\$ (199,476)	\$ (174,535)
Deficit, beginning of period	(1,129,770)	(363,227)
Deficit, end of period	\$ (1,329,246)	\$ (537,762)
Basic and diluted net loss per common share	\$ (0.006)	\$ (0.005)
Weighted average number of common shares outstanding	33,710,711	32,261,427

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

(unaudited)

	2010	2009
Cash provided by (used for) the following activities:		
Operating activities		
Net Loss	\$ (199,476)	\$ (174,535)
Adjustment for non-cash items:		
Amortization	246,374	172,543
	46,898	(1,992)
Net change in non-cash working capital balances		
Accounts receivable	48,051	(1,225)
Inventory	722	(1,941)
Deposits	59,032	217,580
Other current assets	8,909	(18,288)
Accounts payable and accrued liabilities	(183,362)	11,386
Unearned revenue	4,633	37,334
	(15,117)	242,854
Financing activities		
Issuance of preferred shares, net of costs	1,979,900	-
Repayment of long term debt	(73,062)	(14,974)
Repayment of capital leases	(9,961)	(9,172)
Deferred financing costs	-	(42,549)
	1,896,877	(66,695)
Investing activities		
Acquisition of net assets of Kenaston Self Storage Ltd.	-	(2,912,000)
Additions to income producing properties	(122,203)	(358,401)
Redemption of investments	-	3,305,419
	(122,203)	35,018
Increase in cash	1,759,557	211,177
Cash balance, beginning of period	311,885	152,024
Cash balance, end of period	2,071,442	363,201
Supplementary cash flow information		
Cash paid during the period for:		
Interest	92,829	39,655
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, 2010 and 2009
(*unaudited*)

1. Incorporation, nature and continuance of operations

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

2. Accounting policies

The unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly they do not contain all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. Refer to the Corporation's audited financial statements as at December 31, 2009. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that can be expected for the year ended December 31, 2010.

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

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible assets. Provision for income taxes is based on the estimated tax rates applicable to the Corporation. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the period in which they become known. Actual results could differ from those estimates and the differences could be material to these financial statements.

Short Term Investments

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

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three Months ended March 31, 2010 and 2009

(unaudited)

Income Producing Properties

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

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

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

Goodwill

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

Leases

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

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three Months ended March 31, 2010 and 2009

(unaudited)

Long-lived Assets

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

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

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

Future Income Taxes

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

Share Issuance Costs

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

Loss Per Share

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

StorageVault Canada Inc.

Notes to the Financial Statements

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(unaudited)

Revenue Recognition

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

Revenue from investments is recognized when earned.

Stock Based Compensation

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

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

In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

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

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources. "Other comprehensive income" refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. For the period ended March 31, 2010 there were no other comprehensive income items, nor is there any accumulated balance of other comprehensive income.

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

For the Three Months ended March 31, 2010 and 2009

(unaudited)

Financial Instruments

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

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

StorageVault Canada Inc.

Notes to the Financial Statements

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(unaudited)

Change in Accounting Policies

Recent accounting pronouncements not yet applied:

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian public companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February, 2008, the AcSB announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP, affecting interim and annual financial statements relating to fiscal years after this date.

These new standards will be applicable as of January 1, 2011. Accordingly, the Corporation’s first financial statements prepared under IFRS will be presented for its first quarter ended March 31, 2011. However, this will also necessitate the restatement of comparative figures for the 2010 comparative period. As such, the Corporation’s effective date of transition will be January 1, 2010.

The Corporation continues to assess the impact of the convergence of Canadian GAAP with IFRS on the results of its operations, financial position and disclosures. The Corporation’s management will continue to monitor the transitional developments and provide disclosures of the key elements of our plan, including accounting policies, financial reporting, information technology, and progress as information becomes available during the transition period. To transition to IFRS, the Corporation must apply “IFRS 1 – First Time Adoption of IFRS” which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS effective at the transition date for the entity’s first IFRS financial statements. IFRS 1 contains certain mandatory and optional exemptions that the Corporation is currently assessing.

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

For the Three Months ended March 31, 2010 and 2009

*(unaudited)***3. Income Producing Properties**

	<u>March 31, 2010</u>			<u>December 31, 2009</u>		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Land	1,080,000	-	1,080,000	1,080,000	-	1,080,000
Leasehold improvements	5,442	1,027	4,415	5,442	794	4,648
Buildings	7,755,179	315,525	7,439,654	7,737,298	240,467	7,496,831
Storage containers	888,829	215,361	673,468	822,294	163,453	658,841
Vehicles	425,866	107,481	318,385	391,739	77,942	313,797
Fences and parking lots	109,389	11,531	97,858	109,389	9,534	99,855
Furniture and equipment	73,470	12,028	61,442	69,809	8,891	60,918
Computer equipment	23,606	9,495	14,111	23,607	7,573	16,034
	<u>10,361,781</u>	<u>672,448</u>	<u>9,689,333</u>	<u>10,239,578</u>	<u>508,654</u>	<u>9,730,924</u>
Storage containers under capital lease	95,911	33,809	62,102	95,911	28,774	67,137
Vehicles under capital lease	80,261	36,873	43,388	80,261	32,052	48,209
	<u>176,172</u>	<u>70,682</u>	<u>105,490</u>	<u>176,172</u>	<u>60,826</u>	<u>115,346</u>
	<u>10,537,953</u>	<u>743,130</u>	<u>9,794,823</u>	<u>10,415,750</u>	<u>569,480</u>	<u>9,846,270</u>

4. Intangible Assets

	<u>March 31, 2010</u>			<u>December 31, 2009</u>		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Franchise agreements	20,000	-	20,000	20,000	-	20,000
Tenant relationships	486,000	452,929	33,071	486,000	383,333	102,667
	<u>506,000</u>	<u>452,929</u>	<u>53,071</u>	<u>506,000</u>	<u>383,333</u>	<u>122,667</u>

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

For the Three Months ended March 31, 2010 and 2009

*(unaudited)***5. Goodwill**

The continuity of goodwill is as follows:

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Opening balance	1,448,607	746,891
Additions, net	-	701,716
Goodwill impairment	-	-
Ending balance	<u>1,448,607</u>	<u>1,448,607</u>

6. Capital Lease Obligations

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Capital lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011.	9,251	10,493
Capital lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April, 2012.	9,974	11,067
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012.	10,942	12,037
Capital lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012.	10,796	11,802
The capital lease obligations noted above are secured by storage containers with a net book value of \$62,102 (December 31, 2009 - \$67,138)		
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$1,984 plus taxes, due November 2010. Secured by vehicles with a net book value of \$43,388 (December 31, 2009 - \$48,209)	16,379	21,904
	<u>57,342</u>	<u>67,303</u>
Less current portion	30,201	40,164
	<u>27,141</u>	<u>27,139</u>

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three Months ended March 31, 2010 and 2009

(unaudited)

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

2010	32,841
2011	21,296
2012	7,748
2013	-
2014	-
	<u>61,885</u>
Less imputed interest	<u>(4,543)</u>
	57,342
Less current portion	<u>(30,201)</u>
	<u>27,141</u>

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

For the Three Months ended March 31, 2010 and 2009

*(unaudited)***7. Long Term Debt**

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	22,471	25,631
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	9,684	12,529
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	96,591	106,838
Commercial loan bearing interest at 6.15%, repayable in monthly blended installments of \$2,251, due November 2012	66,200	71,889
Convertible debenture, bearing interest at 9.5%, due May, 2014. Interest only payments are due quarterly. Debenture holders have the right to convert at any time into Common Shares of the Corporation at the conversion price of \$0.32 per common share.	320,000	320,000
Mortgage repayable in monthly blended installments of \$11,219, bearing interest at 5.72%, due August 2016. Secured by a first charge on the related land and property with a net book value of \$2,421,865 (December 31, 2008 - \$2,463,947) and a general assignment of rental revenue	1,669,792	1,679,757
Mortgage repayable in monthly blended installments of \$32,600, bearing interest at 6.45%, due March, 2014. Secured by a first charge on the related land and property with a net book value of \$5,975,253 (December 31, 2009 - \$6,028,538) and a general assignment of rental revenue	3,580,555	3,621,712
Deferred financing costs net of amortization of \$14,586 (December 31, 2009 - \$11,460)	(54,520)	(57,649)
	<u>5,710,773</u>	<u>5,780,707</u>
Less current portion	295,449	292,932
	<u><u>5,415,324</u></u>	<u><u>5,487,775</u></u>

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

For the Three Months ended March 31, 2010 and 2009

(unaudited)

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

2010 (balance of year)	221,431
2011	299,333
2012	273,726
2013	244,981
2014	580,851

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

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

The Corporation is in compliance with debt covenants that are applicable at March 31, 2010

8. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Debt Component	<u>2,000,000</u>	<u>1,127,119</u>
Balance, March 31, 2010	<u><u>2,000,000</u></u>	<u><u>1,127,119</u></u>
Liability component		1,127,119
Equity component		<u>872,881</u>
		<u><u>2,000,000</u></u>

Two investment funds managed by PFM Capital Inc. of Regina, SK have committed to make a \$4,000,000 preferred share investment in the Corporation. The preferred share financing shall be drawn down by the Corporation in two tranches of \$2-million each with the first tranche being drawn down on the closing date of March 17, 2010 and the Corporation committing to draw down the second tranche within one year of the closing date.

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.

StorageVault Canada Inc.

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The preferred shares are convertible at the holder's option into common shares of Corporation for a period of three years from each respective drawdown date at a conversion price of \$0.30. After the closing date, in the event that the Corporation completes a financing of equity securities at a price lower than \$0.30 (a "Down Round Financing"), the original conversion price will be reduced to such lower price of the equity securities issued on the Down Round Financing, provided that the total dollar amount of preferred shares that can be converted at the reduced conversion price cannot exceed the total dollar amount of the Down Round Financing, and further provided that the lower limit of the reduced conversion price is \$0.19.

The preferred shares are retractable after the third anniversary of each respective drawdown date (each, a "Put Date"). After a Put Date, holders of preferred shares shall have the right, upon 150 days prior written notice to the Corporation, to have the Corporation retract the preferred shares for an amount, payable in cash, equal to the issuance price of the preferred shares and all accrued and unpaid dividends

The preferred shares are redeemable any time after the fourth anniversary of each respective drawdown date (each, a "Call Date"). After a Call Date, the Corporation shall have the right, upon 60 days prior written notice to the holder, to redeem all, or a portion of, the preferred shares for an amount, payable in cash, equal to the issuance price of the preferred shares and all accrued and unpaid dividends. Upon the election by the Corporation to redeem preferred shares, the holders shall have a 30-day first right of refusal to convert the preferred shares at the conversion price.

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. The fair value of the equity component was calculated using the Black-Scholes option pricing model with the following assumptions: expected life – 3 years; risk free rate – 2.46%; expected volatility – 148% and exercise price - \$0.30.

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

For the Three Months ended March 31, 2010 and 2009

*(unaudited)***9. Share Capital**

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, May 31, 2007 (inception)	-	-
Seed capital shares	5,000,000	500,000
Issued for cash pursuant to initial public offering	5,000,000	1,000,000
Share issuance costs	-	(167,034)
Balance, December 31, 2007	<u>10,000,000</u>	<u>1,332,966</u>
Private placement	18,391,304	4,230,000
Broker compensation - private placement	678,696	156,100
Shares issued for property acquired	2,466,798	567,364
Share issuance costs	-	(266,907)
Balance, December 31, 2008	<u>31,536,798</u>	<u>6,019,523</u>
Shares issued for property acquired	2,173,913	500,000
Share issuance costs	-	(6,337)
Balance, December 31, 2009 and March 31, 2010	<u><u>33,710,711</u></u>	<u><u>6,513,186</u></u>

The seed capital shares were issued for cash and are subject to a CPC Escrow agreement. Under the agreement, 10% of the escrowed shares were released from escrow on the completion of the Qualifying Transaction and an additional 15% will be released in increments of 15% every six months thereafter. As at March 31, 2010, 2,750,000 (March 31, 2009 – 1,250,000) seed capital shares were released from escrow, and 2,250,000 (March 31, 2009 – 3,750,000) remain subject to the Escrow agreement.

Preferred shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Equity component	2,000,000	872,881
Share issuance costs	-	(20,100)
Balance, March 31, 2010	<u><u>2,000,000</u></u>	<u><u>852,781</u></u>

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

For the Three Months ended March 31, 2010 and 2009

*(unaudited)**Contributed surplus:*

	<u>March 31, 2010</u>	<u>December 31, 2009</u>
Opening balance	470,208	126,250
Stock based compensation	-	343,958
Exercise of retained options	-	-
Ending balance	<u>470,208</u>	<u>470,208</u>

Stock Options and Warrants

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

The fair value of stock options is estimated at the date of the grant using the Black-Scholes Option Pricing Model. The Corporation used the following significant assumptions:

	<u>2009</u>	<u>2008</u>
Weighted average fair value per option	\$0.156	\$0.038
Risk-free interest rate	1.63%	2.16%
Expected volatility	208%	109%
Expected life (years)	5	2
Dividend yeild	0.00%	0.00%

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

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

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,878,696	\$0.22	2,078,696	\$0.21
Granted	-	-	2,200,000	\$0.23
Exercised	-	-	-	-
Expired	-	-	(400,000)	\$0.20
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,878,696</u>	<u>\$0.22</u>	<u>3,878,696</u>	<u>\$0.22</u>

Stock options and warrants outstanding are as follows:

<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Outstanding March 31, 2010</u>	<u>Outstanding December 31, 2009</u>
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.23	Oct 31, 2010	678,696	678,696
\$0.23	May 6, 2014	2,200,000	2,200,000

10. Income Taxes

The Corporation has non-capital losses at December 31, 2009 of \$632,167 (December 31, 2008 - \$360,118), which expire as follows:

		<u>2009</u>	<u>2008</u>
Non-capital loss carry forwards available until:	2027	63,854	63,854
	2028	296,264	296,264
	2029	272,049	-
		<u>\$ 632,167</u>	<u>\$ 360,118</u>

StorageVault Canada Inc.

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11. Financial Risk Management and Fair Value

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

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

The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. As at March 31, 2010 the fair value of long term debt is \$5,935,000 (December 31, 2009 – \$6,222,500).

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

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

Notes to the Financial Statements

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(unaudited)

- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liability for remediation should hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to sell the property, or it might expose the Corporation to civil law suits. To mitigate such risk, the Corporation will obtain a recent Phase I environmental report for all material acquisitions. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by tenants.

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

12. Related Party Transactions

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

During the three months ended March 31, 2010, the Corporation paid management fees of \$25,000 (March 31, 2009 - \$47,750) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to a management agreement, Detteson is entitled to an annual advisory fee of 0.225% per annum, paid monthly, of the gross book value of the assets of the Corporation, subject to a monthly minimum of \$8,333. Detteson is also entitled to receive 0.5% of the cost of any property acquired or sold by the Corporation on the closing date of the purchase or sale.

During the three months ended March 31, 2010, the Corporation reimbursed travel and related expenses of \$22,012 (March 31, 2009 - \$12,110) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three months ended March 31, 2010, the Corporation paid loan guarantee fees of \$2,100 (March 31, 2009 - \$2,148) to Alan A. Simpson and loan guarantee fees of \$2,100 (March 31, 2009 - \$2,148) to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on T. C. Mini Storage Ltd., both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the rate of 0.5% of the outstanding mortgage principal, per person.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three Months ended March 31, 2010 and 2009

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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. Pursuant to the Master Franchise Agreement, the Corporation is obligated to develop 20 franchises by December 1, 2012 or pay a one time non-development fee of \$15,000 for each undeveloped franchise. The Corporation also 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 months ended March 31, 2010, the Corporation paid \$5,600 (March 31, 2009 - \$3,025) for royalties and \$162,460 (March 31, 2009 - \$71,820) for storage containers and other equipment under the Master Franchise Agreement.

During the three months ended March 31, 2010, the Corporation paid fees for maintenance of shareholder records of \$2,147 (March 31, 2009 - \$3,027) to a Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

During the year ended December 31, 2009, the Corporation issued convertible, unsecured debentures in the amount of \$210,000 to officers, directors and spouses of directors of the Corporation. During the three months ended March 31, 2010, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$4,988 (March 31, 2009 - \$nil). See note 7 – Long Term Debt regarding the total debentures issued.

Included in accounts payable, relating to the previously noted transactions, at March 31, 2010 was \$1,931 (December 31, 2009 - \$66,156) payable to CPFI.

13. 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.

StorageVault Canada Inc.

Notes to the Financial Statements

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(unaudited)

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 March 31, 2010 is 40.4% (December, 2009 – 46.2%).

Except for the debt covenants described in Note 7, the Corporation is not subject to any externally imposed capital requirements.

14. Segmented Information

The Corporation's owns income producing properties in Canada. The Corporation does not distinguish or group its operations on a geographic basis, and accordingly, has a single reportable segment for disclosure purposes. None of the Corporation's tenants individually account for revenues in excess of 10% of the Corporation's total revenues for the three months ended March 31, 2010.

15. Subsequent Events

On May 10, 2010 the Corporation completed an Acquisition Agreement of Purchase and Sale to acquire from an arm's length vendor the assets and operations of B&B Mini Storage (B&B), a self storage facility located in Cambridge, ON. The aggregate purchase price is \$2,367,500 subject to customary adjustments. The purchase price was paid by \$1,495,000 of bank mortgage financing and the remainder in cash.

B&B is located at 1316 Industrial Drive in Cambridge. It is approximately 4.76 acres, with 4 storage buildings comprising a total of 25,830 rentable square feet. Approximately 2 acres of the property is undeveloped and is used for rental parking spaces for vehicles. It is the Corporation's intention to re-deploy a portion of the property at this site toward a portable storage operation.

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

Meyers Norris Penny 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 306-546-5998

REGISTRAR & TRANSFER AGENT

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

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