

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

For the Three Months ended March 31, 2011 and 2010

(Unaudited)

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**StorageVault Canada Inc.**  
**Unaudited Interim Statement of Financial Position**

	March 31 2011	December 31 2010 (note 16)	January 1 2010 (note 16)
<b>Assets</b>			
<b>Current</b>			
Cash and short term deposits	\$ 555,244	\$ 1,259,495	\$ 311,885
Accounts receivable	169,618	144,077	155,582
Inventory	140,516	10,686	3,986
Deposits	155,625	109,707	109,468
Other current assets	78,382	65,066	64,934
	<b>\$ 1,099,385</b>	<b>\$ 1,589,031</b>	<b>\$ 645,855</b>
Property, plant and equipment (Note 4)	15,483,113	15,204,322	9,876,204
Intangible assets (Note 5)	28,733	33,334	122,667
Goodwill (Note 5)	1,448,607	1,448,607	1,448,607
	<b>\$ 18,059,838</b>	<b>\$ 18,275,294</b>	<b>\$ 12,093,333</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 111,676	\$ 131,846	\$ 332,698
Unearned revenue	44,937	54,950	29,067
Current portion of finance lease obligations (Note 6)	18,628	19,674	40,164
Current portion of long term debt (Note 7)	426,148	388,868	292,932
	<b>601,389</b>	<b>595,338</b>	<b>694,861</b>
Finance lease obligations (Note 6)	3,714	7,473	27,139
Long term debt (Note 7)	8,243,578	8,275,887	5,545,420
Preferred shares (Note 8)	2,694,110	2,677,440	-
	<b>11,542,791</b>	<b>11,556,138</b>	<b>6,267,420</b>
<b>Shareholders' Equity</b>			
Share capital (Note 9)	6,513,186	6,513,186	6,513,186
Preferred shares (Note 9)	1,341,010	1,332,477	-
Contributed surplus (Note 9)	470,208	470,208	470,208
Deficit	(1,807,357)	(1,596,715)	(1,157,481)
	<b>6,517,047</b>	<b>6,719,156</b>	<b>5,825,913</b>
	<b>\$ 18,059,838</b>	<b>\$ 18,275,294</b>	<b>\$ 12,093,333</b>

**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.

### Unaudited Interim Statement of Changes in Equity

For the Three Months Ended March 31

	2011	2010
<b>Common Share Capital</b>		
Balance, beginning of the period	\$ 6,513,186	\$ 6,513,186
Common shares issued under Option Plans	-	-
Share based compensation	-	-
Common shares purchased	-	-
Balance, end of the period	6,513,186	6,513,186
<b>Preferred Share Capital</b>		
Balance, beginning of the period	\$ 1,332,477	\$ -
Preferred shares issued	-	852,781
Stock dividends paid	8,533	-
Preferred share issuance costs	-	-
Balance, end of the period	1,341,010	852,781
<b>Contributed Surplus</b>		
Balance, beginning of the period	\$ 470,208	\$ 470,208
Share based compensation	-	-
Common shares purchased	-	-
Balance, end of the period	470,208	470,208
<b>Deficit</b>		
Balance, beginning of the period	\$ (1,596,715)	\$ (1,157,481)
Net loss	(193,575)	(190,541)
Dividends on Preferred Shares	(17,067)	-
Balance, end of the period	(1,807,357)	(1,348,022)

The accompanying notes are an integral part of these financial statements

## StorageVault Canada Inc.

### Unaudited Interim Statement of Income (Loss) and Comprehensive Income (Loss)

For the Three Months Ended March 31

	2011	2010
<b>Revenue</b>		
Storage and related services	\$ 658,749	\$ 445,869
Interest and other	22,722	7,217
	<b>681,471</b>	<b>453,086</b>
<b>Expenses</b>		
Property operating costs	343,211	220,861
Selling, general and administrative	131,223	92,498
Amortization	235,902	237,439
Interest	164,710	92,829
	<b>875,046</b>	<b>643,627</b>
Loss before income taxes	(193,575)	(190,541)
Future income tax recovery (Note 10)	-	-
Net Loss and Comprehensive Loss	\$ (193,575)	\$ (190,541)
Basic and diluted net loss per common share	\$ (0.006)	\$ (0.006)
Weighted average number of common shares outstanding	33,710,711	33,710,711

The accompanying notes are an integral part of these financial statements

**StorageVault Canada Inc.**  
**Unaudited Interim Statement of Cash Flows**

For the Three Months Ended March 31

	2011	2010
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating activities</b>		
Net Loss	\$ (193,575)	\$ (190,541)
Adjustment for non-cash items:		
Amortization	235,902	237,439
Stock dividend classified as interest	16,669	-
	<b>58,996</b>	<b>46,898</b>
Net change in non-cash working capital balances		
Accounts receivable	(25,541)	48,051
Inventory	(129,830)	722
Deposits	(45,918)	59,032
Other current assets	(13,316)	8,909
Accounts payable and accrued liabilities	(20,170)	(183,362)
Unearned revenue	(10,013)	4,633
	<b>(185,792)</b>	<b>(15,117)</b>
<b>Financing activities</b>		
Issuance of preferred shares, net of costs	-	1,979,900
Cash dividends paid	(25,202)	-
Increase in preferred shares - debt component	16,669	-
Advances from long term debt	106,920	-
Repayment of long term debt	(101,949)	(73,062)
Repayment of finance leases	(4,805)	(9,961)
	<b>(8,367)</b>	<b>1,896,877</b>
<b>Investing activities</b>		
Additions to property, plant and equipment	(510,092)	(122,203)
	<b>(510,092)</b>	<b>(122,203)</b>
Increase (decrease) increase in cash	<b>(704,251)</b>	<b>1,759,557</b>
Cash balance, beginning of year	<b>1,259,495</b>	<b>311,885</b>
Cash balance, end of year	<b>555,244</b>	<b>2,071,442</b>
Supplementary cash flow information: Cash paid during the period for:		
Interest	<b>164,029</b>	<b>92,829</b>
Income taxes	-	-

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

## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **1. Description of Business**

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, Manitoba, Ontario and British Columbia. 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 and adoption of IFRS**

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants' (the "Handbook"). In 2010 the Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and required publicly accountable enterprises to apply IFRS standards effective for years beginning on or after January 1, 2011. These interim financial statements present the Corporation's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 1 "First time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These interim financial statements do not include all the necessary annual disclosures in accordance with IFRS.

In these statements, the term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

The preparation of these interim financial statements resulted in selected changes to the Corporation's accounting policies compared to financial statements issued under Canadian GAAP. A summary of the significant changes to the Corporation's accounting policies is disclosed in Note 16 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010, as at and for the three months ended March 31, 2010, and as at and for the year ended December 31, 2010.

These unaudited interim financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010.

The interim financial statements have been prepared under the historical cost method, except the revaluation of certain financial assets and financial liabilities to fair value. All amounts in these interim financial statements are expressed in Canadian dollars.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### 3. Accounting policies

##### *Significant Accounting Estimates and Judgments*

The preparation of the 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.

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 are:

- 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.
  - Impairment of goodwill – The Corporation tests goodwill for impairment annually or more often if events or circumstances indicate there may be impairment. This testing requires estimates to be made of future operations of cash generating units which include estimates of future revenues, costs, discount rates and cash flows.
  - 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 subordinated 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.
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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### Note 3 - Continued

##### *Business Combinations*

All business combinations are accounted for by applying the purchase 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 arising on consolidation 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) then the difference is credited to the Corporation's 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 combinations 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 Corporation Statement of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

##### *Cash and Short Term Deposits*

Cash and short term deposits in the 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 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.

##### *Inventory*

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

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### Note 3 - Continued

##### *Property, Plant and Equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is 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 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 depreciated to its residual value using the appropriate depreciation rate set forth by management. Depreciation 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 depreciated.

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each 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 Statement of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the depreciation 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.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### 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. 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 depreciated on a basis consistent with similar owned assets. Payments made under finance leases are apportioned between capital repayments and interest expense charged to the 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 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 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 depreciated over its useful economic life. Payments received under operating leases are recognized in the Statement of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### 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 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 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 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 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 Statement of Financial Position date.

##### *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.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### Note 3 - Continued

##### *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.

##### *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. For the year ended December 31, 2010 and the three months ended March 31, 2011 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

##### *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.

Revenue from the sale of merchandise, including locks, boxes and packing supplies, 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.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### 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.

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.

##### *Financial Instruments*

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

All financial instruments are measured at fair value on initial recognition of the instrument.

Subsequent to initial recognition, measurement of financial assets and financial liabilities is based on the classification. Financial assets and financial liabilities classified as "fair value through profit or loss" are measured at fair value with changes in those fair values recognized in net earnings. Financial assets classified as "available-for-sale" are measured at fair value with changes in fair value recognized in "other comprehensive income". Financial assets classified as "loans and receivables" or "held-to-maturity", as well as financial liabilities classified as "other financial liabilities" are measured at cost using the effective interest method of amortization.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### Note 3 - Continued

“Loans and receivables” includes accounts receivable, and “other financial liabilities” includes accounts payable and accrued liabilities, current and long term debt, and the liability component of preferred shares. 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.

#### *Accounting Standards Issued but not yet Adopted*

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 “Financial Instruments”, which is the result of the first phase of the International Accounting Standards Board’s (“IASB”) project to replace IAS 39 “Financial Instruments – Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories – amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the financial statements of the Corporation.

In October 2009, the IASB published IFRS 7, “Financial Instruments: Disclosures – Transfer of financial assets (Amendment)”. The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact to the Corporation after initial application.

IFRS 10, Consolidated Financial Statements has been issued and is effective for periods beginning on or after 1 January 2013. This standard will replace all of the existing guidance on control and consolidation in IAS 27, Consolidated and separated financial statements and SIC12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so the same criteria are applied to all entities to determine control and includes detailed guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The Corporation does not expect the impact of the standard to be significant.

IFRS 11, Joint Arrangement has been issued and is effective for periods beginning on or after 1 January 2013. The new rules are aimed at providing investors with greater clarity about a participant’s involvement in a joint arrangement. The key change in relation to the participant’s contractual rights and obligations arising from their joint arrangements will determine the accounting under IFRS 11 rather than the arrangement’s legal form. The Company does not expect the impact of the standard to be significant.

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**StorageVault Canada Inc.**

**Notes to the Interim Financial Statements**

For the Three Months Ended March 31, 2011 and 2010

(*unaudited*)

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**Note 3 - Continued**

IFRS 12, Disclosure of interest in other entities has been issued and is effective for periods beginning on or after 1 January 2013. IFRS 12 sets out the required disclosures for entities reporting under the two new standards IFRS 10 and IFRS 11 *Joint arrangements*. The new rules also replace the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Corporation does not expect the impact of the standard to be significant.

On May 12, 2011, the IASB issued IFRS 13, Fair value measurements, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another Standard requires it. IFRS 13 is effective for the Corporation on January 1, 2013. Early adoption is permitted and the standard is required to be applied prospectively. The Corporation uses fair value measurements in the preparation of its financial statements and consequently will be subject to the new requirements.

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***4. Property, Plant and Equipment**

	<b>Land, Yards, Buildings &amp; Improvements</b>	<b>Storage Containers</b>	<b>Vehicles</b>	<b>Office &amp; Computer Equipment</b>	<b>Total</b>
<b>COST</b>					
January 1, 2010	8,932,129	918,205	472,000	93,416	10,415,750
Capital expenditures	183,725	399,402	380,695	18,209	982,031
Acquisitions	5,135,000	-	-	12,500	5,147,500
December 31, 2010	14,250,854	1,317,607	852,695	124,125	16,545,281
Capital expenditures	48,077	378,184	80,801	3,030	510,092
Acquisitions	-	-	-	-	-
March 31, 2011	14,298,931	1,695,791	933,496	127,155	17,055,373
<b>ACCUMULATED DEPRECIATION</b>					
January 1, 2010	250,794	192,226	80,060	16,466	539,546
Depreciation	390,779	277,702	108,448	24,484	801,413
December 31, 2010	641,573	469,928	188,508	40,950	1,340,959
Depreciation	114,096	69,249	42,804	5,152	231,301
March 31, 2011	755,669	539,177	231,312	46,102	1,572,260
<b>NET BOOK VALUE</b>					
January 1, 2010	8,681,335	725,979	391,940	76,950	9,876,204
December 31, 2010	13,609,281	847,679	664,187	83,175	15,204,322
March 31, 2011	13,543,262	1,156,614	702,184	81,053	15,483,113
Pledged as security for capital leases:					
December 31, 2010					
Cost	-	95,911	-	-	95,911
Acc. Depreciation	-	48,915	-	-	48,915
Net Book Value	-	46,996	-	-	46,996
March 31, 2011					
Cost	-	95,911	-	-	95,911
Acc. Depreciation	-	52,439	-	-	52,439
Net Book Value	-	43,472	-	-	43,472



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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***5. Intangible Assets**

	<u>Goodwill</u>	<u>Other Intangible Assets</u>		
		<u>Franchise Agreements</u>	<u>Tenant Relationships</u>	<u>Total</u>
<b>COST</b>				
January 1, 2010	1,448,607	20,000	486,000	506,000
Capital expenditures	-	-	-	-
Acquisitions	-	-	20,000	20,000
December 31, 2010	1,448,607	20,000	506,000	526,000
Capital expenditures	-	-	-	-
Acquisitions	-	-	-	-
March 31, 2011	1,448,607	20,000	506,000	526,000
<b>ACCUMULATED AMORTIZATION</b>				
January 1, 2010	-	-	383,333	383,333
Amortization	-	4,000	105,333	109,333
December 31, 2010	-	4,000	488,666	492,666
Amortization	-	600	4,001	4,601
March 31, 2011	-	4,600	492,667	497,267
<b>NET BOOK VALUE</b>				
January 1, 2010	1,448,607	20,000	102,667	122,667
December 31, 2010	1,448,607	16,000	17,334	33,334
March 31, 2011	1,448,607	15,400	13,333	28,733

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***6. Finance Lease Obligations**

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Finance lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011.	4,048	5,387
Finance lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April 2012.	5,393	6,574
Finance lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012.	6,339	7,529
Finance lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012.	6,562	7,657
The finance lease obligations noted above are secured by storage containers with a net book value of \$43,472 (December 31, 2010 - \$46,996)		
	<u>22,342</u>	<u>27,147</u>
Less current portion	18,628	19,674
	<u>3,714</u>	<u>7,473</u>

Minimum lease payments related to the finance lease obligations are as follows:

2011	15,972
2012	7,749
2013	-
2014	-
2015	-
	<u>23,721</u>
Less imputed interest	(1,379)
	<u>22,342</u>
Less current portion	(18,628)
	<u>3,714</u>

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

For the Three Months Ended March 31, 2011 and 2010

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

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	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	9,221	12,634
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	-	813
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	53,846	64,832
Commercial loan bearing interest at 6.15%, repayable in monthly blended installments of \$2,251, due November 2012	42,610	48,654
Commercial loan bearing interest at 5.30%, repayable in monthly blended installments of \$3,219, due January, 2014	101,247	-
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 \$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 \$5,764,243 (December 31, 2010 - \$5,815,397) and a general assignment of rental revenue	3,412,481	3,456,248

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 7 - Continued**

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
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 \$2,366,854 (December 31, 2010 - \$2,386,923) and a general assignment of rental revenue	1,628,503	1,639,045
Mortgage repayable in monthly blended installments of \$10,539, bearing interest at 5.80%, due July 2013. Secured by a first charge on the related land and property with a net book value of \$2,267,815 (December 31, 2010 - \$2,282,065) and a general assignment of rental revenue	1,464,600	1,474,880
Mortgage repayable in monthly blended installments of \$8,184, bearing interest at 5.00%, due November 2015. Secured by a first charge on the related land and property with a net book value of \$2,312,990 (December 31, 2009 - \$2,332,100) and a general assignment of rental revenue	1,390,537	1,397,649
Mortgage repayable in monthly blended installments of \$2,700, bearing interest at 5.05%, due January 2014. Secured by a first charge on the related land with a net book value of \$383,500 (December 31, 2010 - \$380,500) and a general assignment of rental revenue	246,681	250,000
	<u>8,669,726</u>	<u>8,664,755</u>
Less current portion	426,148	388,868
	<u><u>8,243,578</u></u>	<u><u>8,275,887</u></u>

**StorageVault Canada Inc.**

**Notes to the Interim Financial Statements**

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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**Note 7 - Continued**

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

2011 (balance of year)	319,521
2012	405,402
2013	383,874
2014	691,009
2015	390,772

In addition to the first charge on related land and property under mortgages noted above, long term debt and finance 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 1.3 or greater for the entire Corporation;
- Minimum tangible net worth at year end to be \$4,000,000; and
- Total debt to tangible net worth ratio at year end to be 2 to 1 or less

The Corporation is in compliance with bank covenants that are applicable at March 31, 2011.

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## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### 8. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 1, 2010	-	-
Issued for cash - Series I - Debt Component	2,000,000	1,127,119
Issued for cash - Series I - Debt Component	2,000,000	1,522,711
Debt component of stock dividends paid	46,068	27,610
Balance, December 31, 2010	<u>4,046,068</u>	<u>2,677,440</u>
Debt component of stock dividends paid	25,202	16,670
Balance, March 31, 2011	<u><u>4,071,270</u></u>	<u><u>2,694,110</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 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

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**StorageVault Canada Inc.**

**Notes to the Interim Financial Statements**

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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**Note 8 - Continued**

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:

	<u>Tranche 1</u>	<u>Tranche 2</u>
Expected life	3 years	3 years
Risk free rate	2.46%	1.42%
Expected volatility	148%	180%
Exercise price	\$0.30	\$0.30

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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**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, January 1, 2010 and March 31, 2011	<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, 2011, 4,250,000 (December 31, 2010 – 4,250,000) seed capital shares were released from escrow, and 750,000 (December 31, 2010 – 750,000) remain subject to the Escrow agreement.

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 9 - Continued***Preferred shares issued:*

	<u>Number of Shares</u>	<u>Amount</u>
Balance, January 1, 2010	-	-
Issued for cash - Series I - Equity component		
March 15, 2010	2,000,000	872,881
October 15, 2010	2,000,000	477,289
Share issuance costs	-	(36,151)
Dividends-shares credited to account	46,068	18,458
Balance, December 31, 2010	<u>4,046,068</u>	<u>1,332,477</u>
Dividends-shares credited to account	25,202	8,533
Balance, March 31, 2011	<u><u>4,071,270</u></u>	<u><u>1,341,010</u></u>

*Contributed surplus:*

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Opening balance	470,208	470,208
Stock based compensation	-	-
Ending balance	<u><u>470,208</u></u>	<u><u>470,208</u></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.

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 9 - Continued**

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:

	2009	2008
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 yield	0.00%	0.00%

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

	<u>March 31, 2011</u>		<u>December 31, 2010</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	3,878,696	\$0.22
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(678,696)	\$0.23
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,200,000</u>	<u>\$0.22</u>	<u>3,200,000</u>	<u>\$0.22</u>

Stock options and warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding March 31, 2011	Outstanding December 31, 2010
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.23	May 6, 2014	2,200,000	2,200,000

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***10. Income Taxes**

The Corporation has non-capital losses at December 31, 2010 of \$1,190,404 (December 31, 2009 - \$632,167), which expire as follows:

		<u>2010</u>	<u>2009</u>
Non-capital loss carry forwards available until:	2027	63,854	63,854
	2028	296,264	296,264
	2029	272,049	272,049
	2030	558,237	-
		<u>\$ 1,190,404</u>	<u>\$ 632,167</u>

**11. 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 investments, 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 March 31, 2011</u>		<u>As at December 31, 2010</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Financial Assets				
Held for Trading				
Cash and short term investments	555,244	555,244	1,259,495	1,259,495
Loans and Receivables				
Accounts receivable	169,618	169,618	144,077	144,077
Financial Liabilities				
Other Financial Liabilities				
Accounts payable and accrued liabilities	111,676	111,676	131,846	131,846
Long term debt	8,669,726	9,957,000	8,664,755	9,242,000
Preferred shares	2,694,110	2,148,000	2,677,440	2,135,000

## StorageVault Canada Inc.

### Notes to the Interim Financial Statements

For the Three Months Ended March 31, 2011 and 2010

(unaudited)

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#### Note 11 - 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>
<b>Assets</b>				
Cash and short term investments	\$555,244	-	-	\$555,244
Accounts receivable	-	\$169,618	-	\$169,618
<b>Liabilities</b>				
Accounts payable & accrued liabilities	-	\$111,676	-	\$111,676

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. The Corporation presently has no floating rate debt.
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## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **Note 11 - 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.
- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities.
- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential 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.

#### **12. Related Party Transactions**

During the three months ended March 31, 2011, the Corporation paid management fees of \$25,000 (March 31, 2010 - \$25,000) 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, 2011, the Corporation reimbursed travel and related expenses of \$128 (March 31, 2010 - \$22,012) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

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## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **Note 12 - Continued**

During the three months ended March 31, 2011, the Corporation paid loan guarantee fees of \$2,046 (March 31, 2010 - \$2,100) to Alan A. Simpson and loan guarantee fees of \$2,046 (March 31, 2010 - \$2,100) 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.

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, 2011, the Corporation paid \$5,743 (March 31, 2010 - \$5,600) for royalties and \$424,094 (March 31, 2010 - \$162,460) 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 months ended March 31, 2011, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$4,988 (March 31, 2010 - \$4,988).

Included in accounts payable, relating to the previously noted transactions, at March 31, 2011 was \$2,302 (March 31, 2010 - \$1,931) payable to CPFI.

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## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **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. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets, and adjust the amount of cash and short term investments. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

On an ongoing basis, the Corporation reviews and assesses its capital structure. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to gross book value ratio. Debt includes mortgages, term debt and subordinated debt. Gross book value of assets is total assets plus accumulated amortization of income properties. The Corporation's debt to gross book value ratio at March 31, 2011 is 44.2% (March 31, 2010 – 40.4%).

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, 2011.

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## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **15. Subsequent Events**

Land Sale and Purchase - On January 18, 2011 the Corporation announced that it had entered into an Agreement of Purchase and Sale to sell to PepsiCo Foods Canada ("PepsiCo"), a business unit of PepsiCo Canada ULC, approximately 2.16 acres of land (the "Sale Property") located in Cambridge, Ontario currently being used as storage for recreational vehicles as part of the Corporation's B&B Mini Storage facility. The aggregate sale price is \$760,000 (subject to customary adjustments) comprised of \$350,000 cash and the conveyance by PepsiCo to the Corporation of a property at closing consisting of approximately 1.45 acres of land situated adjacent to B&B Mini Storage. In addition, the Corporation shall lease back the Sale Property for a two year term rent free. The Sale Agreement is subject to a number of conditions, including but not limited to: (i) the completion of due diligence and environmental investigations with respect to the Exchanged Property that must be satisfactory to the Corporation in its sole discretion; (ii) the completion of due diligence and environmental investigations with respect to the Sale Property that must be satisfactory to PepsiCo in its sole discretion; and (iii) legal severance of the Sale Property from the Corporation's B&B Mini Storage lands in order to convey the Sale Property to PepsiCo.

Pursuant to the Sale Agreement, the terms of payment to the Corporation by PepsiCo for the Sale Property will be: (i) a \$50,000 first refundable deposit upon acceptance of the Sale Agreement; (ii) a second \$75,000 deposit upon removal of due diligence conditions; (iii) a final cash payment of \$225,000 and the conveyance of the 1.45 acre property at closing.

The closing of the transaction is awaiting the removal of certain conditions imposed by the City of Cambridge. All such conditions are expected to be met and the completion of the transaction is expected on or before July 8, 2011.

Normal Course Issuer Bid - On April 21, 2011, the Corporation announced that it received regulatory approval from the TSX Venture Exchange to make a Normal Course Issuer Bid to purchase for cancellation, during the 12-month period commencing April 25, 2011, up to 1,685,536 of its common shares, representing 5% of the common shares outstanding as at April 19, 2011. The program will end on April 24, 2012 unless the maximum amount of common shares is purchased before then or the Corporation provides earlier notice of termination. In the month of May, 2011 the Corporation had purchased through the Exchange a total of 84,500 shares at an average price of \$0.224 per share. These shares will be cancelled.

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## **StorageVault Canada Inc.**

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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#### **16. Transition to IFRS**

The Corporation's financial statements for the year ended December 31, 2011 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Note 2. The Corporation has applied IFRS 1 - "First Time Adoption of International Financial Reporting Standards" in preparing these interim financial statements and has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

The mandatory exceptions include:

- Estimates required under IFRS at the date of transition to IFRS shall be consistent with estimates made for the same date in accordance with previous generally accepted accounting principles.
- Derecognition of financial assets and liabilities (if any) pursuant to IAS 30 - "Financial Instruments: Recognition and Measurement" is to be applied prospectively only

The following are the optional exemptions from full retrospective application that the Corporation has elected to apply:

- Business combination exemption - The Corporation has applied the business combination exemption in IFRS 1 - "First Time Adoption of International Financial Reporting Standards" wherein it is not applying IFRS 3 - "Business Combinations" retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the January 1, 2010 transition date. Goodwill arising on acquisitions before January 1, 2010 was retained at the previous GAAP amounts subject to being tested for impairment at that date.
- Share based payment transactions - The Corporation has elected not to apply IFRS 2 "Share Based Payments" to equity instruments that were granted after November 7, 2002 but vested before January 1, 2010 (the date of transition).

IFRS 1- "First Time Adoption of International Financial Reporting Standards" requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. The following reconciliations present the adjustments made to the Corporation's previous Canadian GAAP financial results of operations and financial position to comply with IFRS 1. Reconciliations include the Corporation's Statements of Financial Position as at January 1, 2010, March 31, 2010 and December 31, 2010; and Statements of Income (Loss) and Comprehensive Income (Loss), Changes in Equity, and Cash Flow for the three months ended March 31, 2010 and the year ended December 31, 2010.

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**StorageVault Canada Inc.**

**Notes to the Interim Financial Statements**

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)*

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**Note 16 - Continued**

The significant differences between Canadian GAAP and IFRS applied retrospectively by the Corporation under IFRS were:

- PP&E – IFRS requires component accounting for property, plant and equipment, such that each part of an item costing a significant amount in relation to the item’s total cost be depreciated separately. Under Canadian GAAP, the Corporation accounted for portable storage container delivery trucks, together with all the permanently mounted equipment on these trucks as “vehicles”. Under IFRS, the cranes and decks mounted on the trucks are considered a component separate from the truck itself. The result of this change was a retrospective change to the amount of depreciation charged in previous years.
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  - Def. Chgs. – Under Canadian GAAP, the Corporation had deferred certain costs relating to the acquiring mortgage financing on acquired properties. These costs were amortized on a straight line basis over the term of the related mortgage. Under IFRS, the transaction costs for which this treatment is allowed is narrower, such that some of the previously deferred costs were no longer eligible for deferral. Additionally, the amortization of the costs is can only be calculated using the effective interest method. Because of the changes in accounting policies, and the immaterial amount of costs eligible for deferral under IFRS, the Corporation has removed all deferred transaction costs retrospectively.
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**StorageVault Canada Inc.****Notes to the Financial Statements**

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Financial Position****As at January 1, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Assets</b>				
<b>Current</b>				
Cash and short term deposits	\$ 311,885			\$ 311,885
Accounts receivable	155,582			155,582
Inventory	3,986			3,986
Deposits	109,468			109,468
Other current assets	64,934			64,934
	<u>\$ 645,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,855</u>
Property, plant and equipment	9,846,270	29,934		9,876,204
Intangible assets	122,667			122,667
Goodwill	1,448,607			1,448,607
	<u>\$ 12,063,399</u>	<u>\$ 29,934</u>	<u>\$ -</u>	<u>\$ 12,093,333</u>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 332,698			\$ 332,698
Unearned revenue	29,067			29,067
Current portion of finance lease obligations	40,164			40,164
Current portion of long term debt	292,932			292,932
	<u>694,861</u>	<u>-</u>	<u>-</u>	<u>694,861</u>
Finance lease obligations	27,139			27,139
Long term debt	5,487,775		57,645	5,545,420
	<u>6,209,775</u>	<u>-</u>	<u>57,645</u>	<u>6,267,420</u>
<b>Shareholders' Equity</b>				
Share capital	6,513,186			6,513,186
Preferred shares	-			-
Contributed surplus	470,208			470,208
Deficit	(1,129,770)	29,934	(57,645)	(1,157,481)
	<u>5,853,624</u>	<u>29,934</u>	<u>(57,645)</u>	<u>5,825,913</u>
	<u>\$ 12,063,399</u>	<u>\$ 29,934</u>	<u>\$ -</u>	<u>\$ 12,093,333</u>

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Financial Position****As at March 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Assets</b>				
<b>Current</b>				
Cash and short term deposits	\$ 2,071,442			\$ 2,071,442
Accounts receivable	107,531			107,531
Inventory	3,264			3,264
Deposits	50,436			50,436
Other current assets	56,025			56,025
	<u>\$ 2,288,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,288,698</u>
Property, plant and equipment	9,794,823	35,739		9,830,562
Intangible assets	53,071			53,071
Goodwill	1,448,607			1,448,607
	<u>\$ 13,585,199</u>	<u>\$ 35,739</u>	<u>\$ -</u>	<u>\$ 13,620,938</u>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 149,336			\$ 149,336
Unearned revenue	33,700			33,700
Current portion of finance lease obligations	30,201			30,201
Current portion of long term debt	295,449			295,449
	<u>508,686</u>	<u>-</u>	<u>-</u>	<u>508,686</u>
Finance lease obligations	27,141			27,141
Long term debt	5,415,324		54,515	5,469,839
Preferred Shares	1,127,119			1,127,119
	<u>7,078,270</u>	<u>-</u>	<u>54,515</u>	<u>7,132,785</u>
<b>Shareholders' Equity</b>				
Share capital	6,513,186			6,513,186
Preferred shares	852,781			852,781
Contributed surplus	470,208			470,208
Deficit	(1,329,246)	35,739	(54,515)	(1,348,022)
	<u>6,506,929</u>	<u>35,739</u>	<u>(54,515)</u>	<u>6,488,153</u>
	<u>\$ 13,585,199</u>	<u>\$ 35,739</u>	<u>\$ -</u>	<u>\$ 13,620,938</u>

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Financial Position****As at December 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Assets</b>				
<b>Current</b>				
Cash and short term deposits	\$ 1,259,495			\$ 1,259,495
Accounts receivable	144,077			144,077
Inventory	10,686			10,686
Deposits	109,707			109,707
Other current assets	65,066			65,066
	<u>\$ 1,589,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,031</u>
Property, plant and equipment	15,151,168	53,154		15,204,322
Intangible assets	33,334			33,334
Goodwill	1,448,607			1,448,607
	<u>\$ 18,222,140</u>	<u>\$ 53,154</u>	<u>\$ -</u>	<u>\$ 18,275,294</u>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 131,846			\$ 131,846
Unearned revenue	54,950			54,950
Current portion of finance lease obligations	19,674			19,674
Current portion of long term debt	388,868			388,868
	<u>595,338</u>	<u>-</u>	<u>-</u>	<u>595,338</u>
Finance lease obligations	7,473			7,473
Long term debt	8,222,556		53,331	8,275,887
Preferred Shares	2,677,440			2,677,440
	<u>11,502,807</u>	<u>-</u>	<u>53,331</u>	<u>11,556,138</u>
<b>Shareholders' Equity</b>				
Share capital	6,513,186			6,513,186
Preferred shares	1,332,477			1,332,477
Contributed surplus	470,208			470,208
Deficit	(1,596,538)	53,154	(53,331)	(1,596,715)
	<u>6,719,333</u>	<u>53,154</u>	<u>(53,331)</u>	<u>6,719,156</u>
	<u>\$ 18,222,140</u>	<u>\$ 53,154</u>	<u>\$ -</u>	<u>\$ 18,275,294</u>

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Changes in Equity****For the Three Months Ended March 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Common Share Capital</b>				
Balance, beginning of the period	\$ 6,513,186			\$ 6,513,186
Common shares issued under Option Plans	-			-
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 6,513,186	\$ -	\$ -	\$ 6,513,186
<b>Preferred Share Capital</b>				
Balance, beginning of the period	\$ -			\$ -
Preferred shares issued	872,881			872,881
Stock dividends paid	-			-
Preferred share issuance costs	(20,100)			(20,100)
Balance, end of the period	\$ 852,781	\$ -	\$ -	\$ 852,781
<b>Contributed Surplus</b>				
Balance, beginning of the period	\$ 470,208			\$ 470,208
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 470,208	\$ -	\$ -	\$ 470,208
<b>Retained Earnings</b>				
Balance, beginning of the period	\$ (1,129,770)	\$ 29,934	\$ (57,645)	\$ (1,157,481)
Net earnings	(199,476)	5,805	3,130	(190,541)
Balance, end of the period	\$ (1,329,246)	\$ 35,739	\$ (54,515)	\$ (1,348,022)

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Changes in Equity****For the Year Ended December 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Common Share Capital</b>				
Balance, beginning of the period	\$ 6,513,186			\$ 6,513,186
Common shares issued under Option Plans	-			-
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 6,513,186	\$ -	\$ -	\$ 6,513,186
<b>Preferred Share Capital</b>				
Balance, beginning of the period	\$ -			\$ -
Preferred shares issued	1,350,170			1,350,170
Stock dividends paid	18,458			18,458
Preferred share issuance costs	(36,151)			(36,151)
Balance, end of the period	\$ 1,332,477	\$ -	\$ -	\$ 1,332,477
<b>Contributed Surplus</b>				
Balance, beginning of the period	\$ 470,208			\$ 470,208
Share based compensation	-			-
Common shares purchased	-			-
Balance, end of the period	\$ 470,208	\$ -	\$ -	\$ 470,208
<b>Retained Earnings</b>				
Balance, beginning of the period	\$ (1,129,770)	\$ 29,934	\$ (57,645)	\$ (1,157,481)
Net earnings	(429,853)	23,220	4,314	(402,319)
Dividends on Preferred Shares	(36,915)			(36,915)
Balance, end of the period	\$ (1,596,538)	\$ 53,154	\$ (53,331)	\$ (1,596,715)

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Income (Loss) and Comprehensive Income (Loss)****For the Three Months Ended March 31, 2010**

Revenue	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
Storage and related services	\$ 445,869			\$ 445,869
Interest and other	7,217			7,217
	453,086	-	-	453,086
<b>Expenses</b>				
Property operating costs	220,861			220,861
Selling, general and administrative	92,498			92,498
Stock based compensation	-			-
Amortization	246,374	(5,805)	(3,130)	237,439
Interest	92,829			92,829
	652,562	(5,805)	(3,130)	643,627
Loss before income taxes	(199,476)	5,805	3,130	(190,541)
Future income tax recovery	-			-
Net Loss and Comprehensive Loss	\$ (199,476)	\$ 5,805	\$ 3,130	\$ (190,541)
Basic and diluted net loss				
per common share	\$ (0.006)			\$ (0.006)
Weighted average number of				
common shares outstanding	33,710,711			33,710,711



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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Income (Loss) and Comprehensive Income (Loss)****For the Year Ended December 31, 2010**

Revenue	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
Storage and related services	\$ 2,439,993			\$ 2,439,993
Interest and other	103,670			103,670
	2,543,663	-	-	2,543,663
<b>Expenses</b>				
Property operating costs	1,126,094			1,126,094
Selling, general and administrative	409,768			409,768
Stock based compensation	-			-
Amortization	949,834	(23,220)	(4,314)	922,300
Interest	487,820			487,820
	2,973,516	(23,220)	(4,314)	2,945,982
Loss before income taxes	(429,853)	23,220	4,314	(402,319)
Future income tax recovery	-			-
Net Loss and Comprehensive Loss	\$ (429,853)	\$ 23,220	\$ 4,314	\$ (402,319)
Basic and diluted net loss per common share	\$ (0.013)			\$ (0.012)
Weighted average number of common shares outstanding	33,710,711			33,710,711

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Cash Flows****For the Three Months Ended March 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Cash provided by (used for) the following activities:</b>				
<b>Operating activities</b>				
Net Loss	\$ (199,476)	5,805	3,130	\$ (190,541)
Adjustment for non-cash items:				
Amortization	246,374	(5,805)	(3,130)	237,439
	46,898	-	-	46,898
Net change in non-cash working capital balances				
Accounts receivable	48,051			48,051
Inventory	722			722
Deposits	59,032			59,032
Other current assets	8,909			8,909
Accounts payable and accrued liabilities	(183,362)			(183,362)
Unearned revenue	4,633			4,633
	(15,117)	-	-	(15,117)
<b>Financing activities</b>				
Issuance of preferred shares, net of costs	1,979,900			1,979,900
Repayment of long term debt	(73,062)			(73,062)
Repayment of capital leases	(9,961)			(9,961)
	1,896,877	-	-	1,896,877
<b>Investing activities</b>				
Additions to income producing properties	(122,203)			(122,203)
	(122,203)	-	-	(122,203)
Increase in cash	1,759,557			1,759,557
Cash balance, beginning of year	311,885			311,885
Cash balance, end of year	2,071,442			2,071,442
<b>Cash paid during the period for:</b>				
Interest	92,829			92,829
Income taxes	-			-

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

For the Three Months Ended March 31, 2011 and 2010

*(unaudited)***Note 16 - Continued****Statement of Cash Flows****For the Year Ended December 31, 2010**

	Canadian	IFRS Adjustments		IFRS
	GAAP	PP&E	Def. Chgs.	
<b>Cash provided by (used for) the following activities:</b>				
<b>Operating activities</b>				
Net Loss	\$ (429,853)	23,220	4,314	\$ (402,319)
Adjustment for non-cash items:				
Amortization	949,834	(23,220)	(15,865)	910,749
Stock dividend classified as interest	27,610			27,610
	547,591	-	(11,551)	536,040
Net change in non-cash working capital balances				
Accounts receivable	11,505			11,505
Inventory	(6,700)			(6,700)
Deposits	(239)			(239)
Other current assets	(132)			(132)
Accounts payable and accrued liabilities	(200,852)			(200,852)
Unearned revenue	25,883			25,883
	377,056	-	(11,551)	365,505
<b>Financing activities</b>				
Issuance of preferred shares, net of costs	3,963,850			3,963,850
Cash dividends paid	(46,068)			(46,068)
Increase in preferred shares - debt component	27,610			27,610
Advances from long term debt	3,145,000			3,145,000
Repayment of long term debt	(318,601)			(318,601)
Repayment of capital leases	(40,156)			(40,156)
Deferred financing costs	(11,551)		11,551	-
	6,720,084	-	11,551	6,731,635
<b>Investing activities</b>				
Acquisition of assets of B&B Mini Storage	(2,367,500)			(2,367,500)
Acquisition of assets of Parksville Mini Storage	(2,800,000)			(2,800,000)
Additions to income producing properties	(982,030)			(982,030)
	(6,149,530)	-	-	(6,149,530)
Increase in cash	947,610			947,610
Cash balance, beginning of year	311,885			311,885
Cash balance, end of year	1,259,495			1,259,495
<b>Cash paid during the period for:</b>				
Interest	92,829			92,829
Income taxes	-			-

# StorageVault Canada Inc.

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## TSX VENTURE EXCHANGE LISTING

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