

StorageVault Canada Inc.

Interim Consolidated Financial Statements

For the Three Months ended March 31, 2015 and 2014

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM FINANCIAL STATEMENTS

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

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

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

StorageVault Canada Inc.

Unaudited Interim Consolidated Statements of Financial Position

	March 31 2015	December 31 2014
Assets		
Current		
Cash and short term deposits (Note 4)	\$ 154,726	\$ 454,468
Short term investments	106,355	106,710
Accounts receivable	163,805	181,185
Inventory	18,780	18,873
Deposits	83,236	217,436
Other current assets	109,773	87,779
	\$ 636,675	\$ 1,066,451
Long term investments	1,392,133	1,394,759
Property, plant and equipment (Note 5)	24,274,338	24,535,168
Intangible assets (Note 6)	5,800	6,400
Goodwill (Note 6)	1,601,414	1,601,414
	\$ 27,910,360	\$ 28,604,192
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 321,893	\$ 284,663
Unearned revenue	74,697	82,956
	396,590	367,619
Current portion of long term debt (Note 7)	1,656,034	1,655,266
Preferred shares (Notes 8, 16)	4,498,144	4,470,205
	6,550,768	6,493,090
Long term debt (Note 7)	18,483,161	18,879,519
	25,033,929	25,372,609
Shareholders' Equity		
Share capital (Note 9)	7,421,324	7,421,324
Contributed surplus (Note 9)	592,728	573,408
Deficit	(5,137,621)	(4,763,149)
	2,876,431	3,231,583
	\$ 27,910,360	\$ 28,604,192

Commitment and Contingencies (Note 15)

Subsequent Events (Note 16)

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

StorageVault Canada Inc.**Unaudited Interim Consolidated Statements of Changes in Equity****For the Three Months Ended March 31**

	<u>2015</u>	<u>2014</u>
Common Share Capital		
Balance, beginning of the period	\$ 7,421,324	\$ 6,444,600
Common shares issued, net of issuance costs (Note 9)	-	976,724
Balance, end of the period	<u>7,421,324</u>	<u>7,421,324</u>
Contributed Surplus		
Balance, beginning of the period	\$ 573,408	\$ 470,208
Stock based compensation (Note 9)	19,320	-
Balance, end of the period	<u>592,728</u>	<u>470,208</u>
Deficit		
Balance, beginning of the period	\$ (4,763,149)	\$ (3,531,273)
Net loss	(374,472)	(331,226)
Balance, end of the period	<u>(5,137,621)</u>	<u>(3,862,499)</u>

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

StorageVault Canada Inc.

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

For the Three Months Ended March 31

	2015	2014
Revenue		
Storage and related services	\$ 1,098,526	\$ 1,075,861
Interest	5,762	5,103
Other	306	918
	<u>1,104,594</u>	<u>1,081,882</u>
Expenses		
Property operating costs	602,760	565,328
Selling, general and administrative	201,923	234,039
Stock based compensation (Note 9)	19,320	-
Depreciation and Amortization (Notes 5, 6)	379,735	317,440
Interest	275,328	296,301
	<u>1,479,066</u>	<u>1,413,108</u>
Net income (loss) and Comprehensive income (loss)	<u>\$ (374,472)</u>	<u>\$ (331,226)</u>
Net income / (loss) per common share		
Basic	\$ (0.010)	\$ (0.010)
Diluted	\$ (0.010)	\$ (0.010)
Weighted average number of common shares outstanding		
Basic	36,689,044	34,614,971
Diluted	36,689,044	34,614,971

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

StorageVault Canada Inc.
Unaudited Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31

	2015	2014
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	\$ (374,472)	\$ (331,226)
Adjustment for non-cash items:		
Depreciation and amortization (Notes 5, 6)	379,735	317,440
Amortization of deferred financing costs	17,938	19,323
Amortization of bond premiums	2,981	3,450
Stock based compensation (Note 9)	19,320	-
Dividend classified as interest (Note 8)	27,939	27,251
	73,441	36,238
Net change in non-cash working capital balances		
Accounts receivable	17,380	(20,594)
Inventory	93	593
Deposits	134,200	(38,815)
Other current assets	(21,994)	1,599
Accounts payable and accrued liabilities	37,230	(174,377)
Unearned revenue	(8,259)	(6,710)
	232,091	(202,066)
Financing activities		
Common shares issued, net of issuance costs (Note 9)	-	976,724
Advances from long term debt	-	5,001,182
Repayment of long term debt	(413,528)	(5,109,170)
Debt issuance costs	-	(19,760)
	(413,528)	848,976
Investing activities		
Additions to property, plant and equipment (Note 5)	(133,305)	(38,401)
Additions to intangible assets (Note 6)	-	(1,339)
Proceeds on disposal of property, plant and equipment	15,000	5,500
	(118,305)	(34,240)
Increase in cash and short term deposits	(299,742)	612,670
Cash and short term deposits balance, beginning of period	454,468	217,942
Cash and short term deposits balance, end of period	154,726	830,612
Supplementary cash flow information:		
Cash paid during the period for:		
Interest	229,487	272,947
Income taxes	-	-

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

1. Description of Business

The interim consolidated financial statements of StorageVault Canada Inc. and its subsidiary (the "Corporation") as at and for the three months ended March 31, 2015 were authorized for issuance by the Board of Directors of the Corporation on May 27, 2015. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange. The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

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

2. Basis of Presentation

These interim consolidated financial statements and the notes thereto present the Corporation's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at and for the three months ended March 31, 2015, including 2014 comparative periods. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and accordingly these interim consolidated financial statements do not include all the necessary annual disclosures in accordance with IFRS.

These interim consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended December 31, 2014. The accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the most recent annual report.

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

3. Accounting policies

Basis of Consolidation

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

Consolidated Entity

StorageVault Canada Inc. established 1712066 Alberta Ltd. ("1712066") for the purpose of refinancing a mortgage on its Regina, SK property using a defeasance process. StorageVault Canada Inc. does not have any direct or indirect shareholdings in 1712066. An entity is consolidated if, based on an evaluation of the substance of its relationship with StorageVault Canada Inc. it is determined that StorageVault Canada Inc. has rights, either directly through ownership or indirectly through contractual arrangements, to direct the relevant activities of the other entity. 1712066 was established under terms that impose strict limitations on the decision making powers of its management and that result in StorageVault Canada Inc. receiving the majority of the benefits related to its operations and net assets, being exposed to the majority of the risks incident to its activities, and retaining the majority of the residual or ownership risks related to its assets.

Revenue Recognition

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

Storage units are rented to customers pursuant to rental agreements which provide for monthly rental terms with non-refundable rental payments. The rental agreements may be terminated by the customer without further obligation or cost upon vacating the storage unit. Revenue from rental agreements is recognized over the rental term pursuant to the rental agreement. Non-refundable customer deposits, which are received to hold a unit for rent at a future date, are deferred and recognized as revenue upon commencement of the rental agreement. Receipts of rental fees for future monthly periods are deferred and recognized as revenue when each respective monthly period commences. Provision is made for expected allowances as necessary.

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Business Combinations

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

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

Significant Accounting Estimates and Judgments

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

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

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

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

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

Cash and Short Term Deposits

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Short Term Investments and Long Term Investments

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

Inventory

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

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Consolidated Statements 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:

Land, Yards, Buildings & Improvements -	Buildings	4%
	Leasehold improvements	20%
	Fences and parking lots	8%
	Land is not depreciated	
Storage Containers -	Storage containers	30%
Vehicles -	Vehicles	30% to 40%
	Truck decks and cranes	20%
Office and Computer Equipment -	Furniture and equipment	20%
	Computer equipment	45%

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each Consolidated Statement of Financial Position date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the Consolidated Statements 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.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is tested for impairment on an annual basis and is carried at cost less accumulated impairment losses. Indicators of impairment may include, but are not limited to, significant changes in technology, markets, economic or legal environments, significant changes in interest rates or evidence from internal reports that the economic performance of an asset is, or will be, worse than expected. Impairment losses on goodwill are not reversed. Goodwill is allocated to CGU's for the purpose of impairment testing. The allocation is made to those CGU's or groups of CGU's 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; Tenant Relationships - 15 months; Website Development Costs - 12 months. The cost of intangible assets acquired in a business combination is the fair value at acquisition date.

Leases

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

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Impairment of Non-Financial Assets

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

Income Taxes

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Consolidated Statements 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 income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Stock Based Compensation

The fair value of stock options issued to directors and consultants under the Corporation's stock option plan is estimated at the date of issue using the Black-Scholes option pricing model, and charged to operations and contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. On the exercise of options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

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

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

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Corporation's share purchase options. Forfeitures are estimated for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period.

Loss per Share

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

Share Capital

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 3 - Continued

Segment Reporting

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

Financial Instruments

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

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

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

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

Financial assets at FVTPL

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

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

Loans and receivables

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

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

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Note 3 - Continued

Available for sale financial assets

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

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

Held to maturity financial assets

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

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

Financial liabilities at FVTPL

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

The Corporation's financial liabilities at FVTPL consists of preferred shares.

Other financial liabilities

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

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

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Note 3 - Continued

Adopted and Future Accounting Policies

The Corporation adopted amendments to IFRS 8 and IAS 24 on January 1, 2015. There was no material impact to the Corporation's interim consolidated financial statements as a result of the adoption of those standards. The IASB or the International Financial Reporting Interpretations Committee have issued a number of new or revised standards or interpretations that will become effective for future periods and have a potential implication for the Corporation. There have been no pronouncements in addition to those disclosed in the December 31, 2014 annual audited financial statements.

4. Cash and Short Term Deposits

Cash represents balances on deposit at a Canadian Chartered Bank. These balances earn interest at Bank Prime less 2.0%. Term deposits, when used, are short term, highly liquid deposits with an original maturity of 3 months or less.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2015 and 2014
(Unaudited)

5. Property, Plant and Equipment

	Land, Yards, Buildings & Improvements	Storage Containers	Vehicles	Office & Computer Equipment	Total
COST					
December 31, 2013	21,900,122	3,240,164	1,551,815	202,033	26,894,134
Additions	2,539,418	722,266	864,038	33,283	4,159,005
Disposals	-	(8,000)	(41,250)	-	(49,250)
December 31, 2014	24,439,540	3,954,430	2,374,603	235,316	31,003,889
Additions	11,033	122,272	-	-	133,305
Disposals	-	-	(15,000)	-	(15,000)
March 31, 2015	24,450,573	4,076,702	2,359,603	235,316	31,122,194
ACCUMULATED DEPRECIATION					
December 31, 2013	2,188,237	1,754,646	863,485	121,184	4,927,552
Depreciation	633,646	552,450	327,745	27,328	1,541,169
December 31, 2014	2,821,883	2,307,096	1,191,230	148,512	6,468,721
Depreciation	157,818	128,322	86,988	6,007	379,135
March 31, 2015	2,979,701	2,435,418	1,278,218	154,519	6,847,856
NET BOOK VALUE					
December 31, 2014	21,617,657	1,647,334	1,183,373	86,804	24,535,168
March 31, 2015	21,470,872	1,641,284	1,081,385	80,797	24,274,338

Included in Land, Yards, Buildings & Improvements is Land at a value of \$6,535,893 (December 31, 2014 - \$6,450,893).

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

For the Three Months Ended March 31, 2015 and 2014

*(Unaudited)***6. Intangible Assets**

	<u>Goodwill</u>	<u>Other Intangible Assets</u>			<u>Total</u>
		<u>Franchise Agreements</u>	<u>Tenant Relationships</u>	<u>Website Development</u>	
COST					
December 31, 2013	1,601,414	20,000	606,000	21,833	647,833
Capital expenditures	-	-	-	1,339	1,339
December 31, 2014	1,601,414	20,000	606,000	23,172	649,172
Capital expenditures	-	-	-	-	-
March 31, 2015	1,601,414	20,000	606,000	23,172	649,172
ACCUMULATED AMORTIZATION					
December 31, 2013	-	11,200	606,000	21,833	639,033
Amortization	-	2,400	-	1,339	3,739
December 31, 2014	-	13,600	606,000	23,172	642,772
Amortization	-	600	-	-	600
March 31, 2015	-	14,200	606,000	23,172	643,372
NET BOOK VALUE					
December 31, 2014	1,601,414	6,400	-	-	6,400
March 31, 2015	1,601,414	5,800	-	-	5,800

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

7. Long Term Debt

	March 31, 2015			December 31, 2014		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Term Debt</u>						
Variable Rate	Prime plus 1.00% or BA plus 2.75%	3.85%	1,801,512	Prime plus 1.00% or BA plus 2.75%	4.00%	1,896,531
	<i>Maturity: November 2017</i>			<i>Maturity: November 2017</i>		
<u>Mortgages</u>						
Fixed Rate	5.00%	5.00%	1,263,813	5.00%	5.00%	1,272,496
	<i>Maturity: November 2015</i>			<i>Maturity: November 2015</i>		
Variable Rate	Prime plus 1.00% or BA plus 2.75%	3.85%	15,964,592	Prime plus 1.00% or BA plus 2.75%	4.00%	16,244,988
	<i>Maturity: November 2017</i>			<i>Maturity: November 2017</i>		
<u>Other</u>						
Defeasance Obligation	1.09%	1.09%	1,527,770	1.09%	1.09%	1,557,200
	<i>Maturity: August 2016</i>			<i>Maturity: August 2016</i>		
Deferred financing costs net of accretion of \$179,063 (December 31, 2014 - \$161,125)			(418,492)			(436,430)
			20,139,195			20,534,785
Less current portion			1,656,034			1,655,266
			18,483,161			18,879,519

The bank Prime rate at March 31, 2015 was 2.85% (December 31, 2014 - 3.00%).

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

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 7 - Continued

In the fiscal year 2012, the Corporation completed the defeasance of a mortgage on the Trans Can property in Regina (the "Defeasance Obligation"). The result was a defeasance obligation (liability) of \$1,789,785 at December 31, 2012 being the present value of the remaining payments under the original mortgage at an effective interest rate of 1.09%. The payments will be fully funded by the principal and interest earnings of Short and Long Term Investments of \$1,764,247 in Government of Canada Bonds bearing interest rates ranging from 1.75% and 3.50% and maturities ranging from March 2013 to June 2016. Both the defeasance obligation and the Short and Long Term Investments are held within 1712066 Alberta Ltd, an entity whose financial statements are consolidated with those of StorageVault Canada Inc.

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

1. Facility 1: authorized up to \$20,000,000 for the acquisition and / or refinancing of self-storage and PUPS portable storage facilities. As at March 31, 2015, the Corporation had assets with a total book value of \$16,879,421 (December 31, 2014 - \$16,995,965) pledged to this segment. As at March 31, 2015, the Corporation had drawn \$15,964,590 (December 31, 2014 - \$16,244,988) on this segment and, based on a percentage of the appraised value of the assets pledged to date, \$4,035,410 remains available to be drawn.
2. Facility 2: authorized up to \$2,000,000 for the acquisition of PUPS portable storage containers. As at March 31, 2015, the Corporation had drawn \$917,476 (December 31, 2014 - \$952,023) on this segment.
3. Facility 3: authorized up to \$1,000,000 for the acquisition of other capital assets used in connection with the Corporation's activities. As at March 31, 2015, the Corporation had drawn \$884,036 (December 31, 2014 - \$944,508) on this segment.

The interest rate on each of the segments above is bank Prime plus 1.00% or Bankers' Acceptance rate plus 2.75%. Funding is secured by first mortgage charges on fixed and portable storage properties and assets. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. For purposes of the tangible net worth ratio, the lender treats all Preferred Shares outstanding as equity because obligations under the preferred shares are subordinated and postponed in favor of the lender (See Note 8). As of March 31, 2015, the Corporation is in compliance with all covenants.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 7 - Continued

In addition to the first charge on related land and property under mortgages noted above, long term debt is secured by general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation.

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

2015	(balance of year)	1,241,735
2016		2,977,858
2017		1,540,770
2018		1,448,028
2019		1,374,729

8. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	4,360,175	\$ 4,360,175
Dividends paid	110,030	110,030
Balance, December 31, 2014	<u>4,470,205</u>	<u>\$ 4,470,205</u>
Dividends paid	27,939	27,939
Balance, March 31, 2015	<u><u>4,498,144</u></u>	<u><u>\$ 4,498,144</u></u>

Two investment funds managed by PFM Capital Inc. of Regina, SK (the "Investor") 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 drawn 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 Investor's option into common shares of the Corporation for a period of three years from each respective drawdown date at a conversion price of \$0.30 and are retractable by the Investor after the third anniversary of each respective drawdown date at the face value of the preferred shares. The preferred shares are redeemable by the Corporation any time after the fourth anniversary of each respective drawdown date.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 8 - Continued

Effective December 27, 2012, the shareholders and the Investor agreed to amend the features such that the shares were convertible for a period of four years and are retractable by the Investor after the fourth anniversary of each respective drawdown date and were redeemable by the Corporation any time after the fifth anniversary of each respective drawdown date. Effective December 30, 2013, the shareholders and the Investor agreed to again amend the features such that the shares are convertible for a period of five years and are retractable by the Investor after the fifth anniversary of each respective drawdown date and were redeemable by the Corporation any time after the sixth anniversary of each respective drawdown date.

On March 16, 2015 the Corporation and its preferred shareholders amended the terms of the preferred shares whereby the preferred shares would be converted, redeemed or retracted depending upon the outcomes under the Purchase Agreement noted in Note 16 – Subsequent Events. In the event that the Second Tranche of the Purchase Agreement closes and the preferred shareholder provides appropriate notice, the preferred shares will be converted to common shares immediately prior to the closing of the Second Tranche. Should the preferred shareholder not provide appropriate notice, all conversion rights will be extinguished and the Corporation will redeem all preferred shares on or before October 1, 2016. In the event that the Second Tranche does not close, the preferred shareholder shall have, at its option, until June 30, 2016 to provide further written notice to convert all preferred shares to common shares, with such conversion to be effective October 1, 2016. Should the preferred shareholder not provide such further written notice on or before June 30, 2016, all conversion rights will be extinguished on July 1, 2016 and the Corporation will redeem all preferred shares on October 1, 2016. In the event that the Second Tranche closes, any preferred shareholder may, at its option and with appropriate notice, retract all (but not less than all) preferred shares with such retraction to occur on the closing date of the Second Tranche. In the event that the Second Tranche does not close, any preferred shareholder may, at its option and with appropriate notice, retract all (but not less than all) preferred shares with such retraction to occur on the date that the Second Tranche is terminated, with all other previously provided retraction rights being extinguished.

The preferred shares contain a price protection feature in the form of a down-round provision (the “Down-Round Provision”), which provides for the downward adjustment to the conversion exercise price in the event the Corporation completes a financing, or financings, of equity securities at a price lower than \$0.30 per equity security, provided that the lower limit of such downward adjustment shall be no lower than \$0.19. As a consequence of the Down-Round Provision, the conversion option is considered an embedded derivative liability, as the number of common shares that could be issued on conversion is variable.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 8 - Continued

The preferred shares contain two components, being the debt component and an embedded derivative liability component arising from the Investor's right to convert. The Corporation has elected to treat these two components as one financial instrument measured at fair value through profit and loss. The preferred shares are therefore presented as a liability at fair value in the consolidated financial statements. As the preferred shares are entirely held by a party related to the Corporation, an option pricing model was not considered appropriate for valuing the preferred shares and conversion option. Rather, the transaction price was considered by management to be a more reliable estimate of fair value. The carrying value of the preferred share liability at March 31, 2015, and December 31, 2014 represents the estimated fair value of the outstanding preferred shares, including the conversion, retraction, redemption and Down-Round Provision features.

Transaction costs attributable to the preferred shares in the amount of \$36,151 were charged when incurred to profit or loss.

The preferred shares are subject to subordination agreements wherein any obligations arising under the preferred shares are subordinated and postponed to and in favor of the financial institution that provides the credit facilities as outlined in Note 7. Pursuant to the subordination agreements, the preferred shareholders shall not, without prior written consent, exercise any right or recourse with respect to the preferred shares, including any demand for payment or collection.

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

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

9. Share Capital

Authorized: Unlimited number of common, voting shares of no par value

Authorized: Unlimited number of preferred non-voting shares issuable in series at an issuance price of \$1 per share

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	33,355,711	\$ 6,444,600
Issued for cash	3,333,333	1,000,000
Share issuance costs	-	(23,276)
Balance, December 31, 2014	<u>36,689,044</u>	<u>\$ 7,421,324</u>
Issued for cash	-	-
Share issuance costs	-	-
Balance, March 31, 2015	<u><u>36,689,044</u></u>	<u><u>\$ 7,421,324</u></u>

On February 25, 2014, the Corporation completed a non-brokered private placement (the "Offering") of a combination of half warrant units (each, a "Half Warrant Unit") and full warrant units (each, a "Full Warrant Unit") at a price of \$0.30 per either a Half Warrant Unit or a Full Warrant Unit for aggregate gross proceeds of \$1,000,000 (3,333,333 units). A total of \$850,000 of Full Warrant Units (2,833,334 units) and \$150,000 of Half Warrant Units (499,999 units) were issued. Each Half Warrant Unit is comprised of one common share of the Corporation and one-half (1/2) of one common share purchase warrant with each whole purchase warrant being exercisable for four years from the closing of the Offering into one common share at an exercise price of \$0.35 per share. Each Full Warrant Unit is comprised of one common share and one full common share purchase warrant with each purchase warrant being exercisable for four years from the closing of the Offering into one common share at an exercise price of \$0.37 per share.

Contributed surplus:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Opening balance	573,408	470,208
Stock based compensation	19,320	103,200
Ending balance	<u><u>592,728</u></u>	<u><u>573,408</u></u>

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

For the Three Months Ended March 31, 2015 and 2014

*(Unaudited)***Note 9 - Continued***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, employees and technical consultants of the Corporation, non-transferable options to purchase common shares provided that i) the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares; ii) the options are exercisable for a period of up to 10 years from the date of grant; iii) 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 iv) the number of common shares reserved for issuance to all technical consultants, if any, will not exceed 2% of the issued and outstanding shares. The exercise price for purchasing these shares cannot be less than the minimum exercise price as provided by stock exchange rules. The following table summarizes information about stock options outstanding and exercisable as at:

	March 31, 2015		December 31, 2014	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,600,000	\$0.23	3,200,000	\$0.22
Granted	60,000	\$0.40	400,000	\$0.33
Closing and Exercisable	<u>3,660,000</u>	<u>\$0.23</u>	<u>3,600,000</u>	<u>\$0.23</u>

On January 27, 2015, the Corporation granted 60,000 stock options to employees, which vested immediately, have an exercise price of \$0.40 per share, and will expire on January 27, 2025. The stock options have no further vesting requirements. A value of \$19,320 was recorded to the Statement of Income (Loss) and Comprehensive Income (Loss) related to these options. The fair value of stock options was estimated at the date of the grant using the Black-Scholes Option Pricing Model using the following significant assumptions: risk-free interest rate – 1.57%; expected volatility – 79%; expected life in years – 10; and dividend yield – 0.00%. The resultant award value was \$0.322 per option.

Stock options outstanding are as follows:

<u>Exercise Price</u>	<u>Vesting Date</u>	<u>Expiry Date</u>	<u>Outstanding March 31, 2015</u>	<u>Outstanding December 31, 2014</u>
\$0.20	Nov 5, 2004	Nov 5, 2017	1,000,000	1,000,000
\$0.23	May 6, 2009	May 6, 2019	2,200,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	400,000	400,000
\$0.40	January 27, 2015	January 27, 2025	60,000	nil

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

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(Unaudited)

Note 9 - Continued

Warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding March 31, 2015	Outstanding December 31, 2014
\$0.35	Feb 25, 2018	2,833,334	2,833,334
\$0.37	Feb 25, 2018	249,999	249,999

10. Income Taxes

The Corporation has non-capital losses at December 31, 2014 of \$3,873,908 that expire as follows:

Non capital loss carry forwards available until:	2027	63,854
	2028	296,264
	2029	272,049
	2030	512,169
	2031	285,345
	2032	678,561
	2033	688,772
	2034	1,076,894
		<u>\$ 3,873,908</u>

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

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(Unaudited)

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 deposits, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amount because of short period to scheduled receipt or payment of cash. The fair value of the Corporation's debt obligations 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, 2015</u>		<u>As at December 31, 2014</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	154,726	154,726	454,468	454,468
Loans and Receivables				
Accounts receivable	163,805	163,805	181,185	181,185
Held to Maturity				
Short term investments	106,355	106,355	106,710	106,710
Long term investments	1,392,133	1,392,133	1,394,759	1,394,759
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	321,893	321,893	284,663	284,663
Long term debt	20,139,195	20,729,442	20,534,785	21,150,000
Fair Value through Profit or Loss				
Preferred shares	4,498,144	4,498,144	4,470,205	4,470,205

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

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

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>
Assets				
Cash and short term deposits	\$ 154,726	-	-	\$ 154,726
Liabilities				
Preferred shares (Note 8)	-	-	\$4,498,144	\$4,498,144

Preferred shares are the only Level 3 instrument recorded as the preferred share's fair value amount payable is not based on observable inputs. As the preferred shares are entirely held by a party related to the Corporation, an option pricing model was not considered appropriate for valuing the preferred shares and conversion option. Rather, the transaction price was considered by management to be a more reliable estimate of fair value.

The following table provides a summary of the changes in the fair value of Level 3 financial liabilities:

	<u>Preferred Shares</u>
Balance December 31, 2013	\$4,360,175
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 8)	<u>\$ 110,030</u>
Balance December 31, 2014	\$4,470,205
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 8)	<u>\$ 27,939</u>
Balance March 31, 2015	<u>\$4,498,144</u>

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
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(Unaudited)

Note 11 - Continued

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 its mortgages where possible, 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.

There is interest rate risk associated with variable rate mortgages as interest expense is impacted by changes in the prime rate. The impact on net loss if interest rates on variable rate debt had been 1% higher or lower for the three months ended March 31, 2015 would be approximately \$44,900 (March 31, 2014 - \$37,400).

- b) Credit risk - Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial commitments to the Corporation. Credit risk in storage facilities is mitigated by restricting access by, and ultimately, seizing the property of tenants who are delinquent in payment. Risk is also mitigated as no individual tenant accounts for greater than 5% of the Corporation’s overall property income.

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

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable under 30 days aged	\$155,058	\$175,904
Accounts receivable over 30 days aged	54,967	59,938
Allowance for doubtful accounts	<u>(46,220)</u>	<u>(54,657)</u>
	\$163,805	\$181,185

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 11 - Continued

Movement in the Corporation's allowance for doubtful accounts is as follows:

Balance December 31, 2013	\$27,294
Charges or adjustments during the year	86,513
Receivables written off during the year as uncollectible	<u>(59,150)</u>
Balance December 31, 2014	\$54,657
Charges or adjustments during the year	(8,437)
Receivables written off during the year as uncollectible	<u>-</u>
Balance March 31, 2015	<u><u>\$46,220</u></u>

The creation and release of the allowance for doubtful accounts has been included in Property Operating Costs in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities. Typically the Corporation ensures that it has sufficient cash or liquid investments available to meet expected operation expenses for a period of 30 days, excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its debt repayment obligations and will provide sufficient funding for anticipated capital expenditures. Maturities of long term financial liabilities are summarized in Note 7 and maturities of the Preferred Share financial liabilities are summarized in Note 8.
- d) Environmental risk – Environmental risk is inherent in the ownership of property. Various municipal, provincial and federal regulations can result in penalties or potential liabilities for remediation should hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to sell the property, or it might expose the Corporation to civil law suits. To mitigate such risk, the Corporation will obtain a recent Phase I environmental report for all material acquisitions. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by tenants.

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

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(Unaudited)

12. Related Party Transactions

During the three months ended March 31, 2015, the Corporation paid total management fees of \$45,895 (March 31, 2014 - \$143,689) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to a management agreement, Detteson is entitled to a base management fee of \$168,000 per year commencing May 1, 2011, subject to an annual increase of 3% on May 1 of each subsequent year as well as an annual performance fee of 4% of Net Operating Income if the Corporation attains 85% or greater of its annual board-approved budgeted Net Operating Income for that fiscal year. The portion of management fees paid in the three months ended March 31, 2015, for performance fee relating to the prior fiscal year was \$nil (March 31, 2014 - \$99,131).

During the three months ended March 31, 2015, the Corporation reimbursed travel and related expenses of \$12,622 (March 31, 2014 - \$16,008) 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, 2015, the Corporation paid loan guarantee fees of \$2,178 (March 31, 2014 - \$2,178) to Alan A. Simpson and loan guarantee fees of \$2,178 (March 31, 2014 - \$2,178) to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on T. C. Mini Storage Ltd., both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the annual rate of 0.5% of the original mortgage principal, per person.

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. The Corporation pays a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights for PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the three months ended March 31, 2015, the Corporation paid \$17,174 (March 31, 2014 - \$23,163) for royalties and \$nil (March 31, 2014 - \$40,190) for storage containers and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at March 31, 2015 was \$6,132 (December 31, 2014 - \$61,262) payable to CPFI and \$3,386 (December 31, 2014 - \$3,299) payable to Detteson.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 12 - Continued

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly and indirectly, and include directors. The remuneration of key management personnel for employment services rendered are as follows:

	Three months ended March 31, 2015	Year ended December 31, 2014
Short term benefits including wages, salaries, management fees, bonuses, directors fees and benefits	\$52,651	\$305,980
Post-employment benefits	-	-
Stock based compensation	-	103,200
	<u>\$52,521</u>	<u>\$409,180</u>

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 deposits. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

On an ongoing basis, the Corporation reviews and assesses its capital structure. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to gross book value ratio. Debt includes mortgages, term debt and subordinated debt. Gross book value of assets is total assets plus accumulated amortization of income properties. The Corporation's debt to gross book value ratio at March 31, 2015 is 53.5% (March 31, 2014 – 50.2%).

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

14. Segmented Information

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

- Fixed Self Storage – often called “mini-storage”, this involves the customer renting a secure storage space in a building maintained by the Corporation and transporting his/her possessions to the Corporation’s facilities for short or long term storage. The Corporation’s facilities range from 135 to over 535 rental units. Fixed Self Storage facilities may also include space for storing vehicles, and/or small commercial operations.
- Portable Storage – this segment involves delivering a storage container to the tenant’s residence or place of business using a specially modified truck. The storage containers range from 2 meters to 6 meters in length. The tenant can opt to keep the storage container at his/her location for the duration of the tenancy or have it moved to another location for further storage.
- Equipment Sales – involves the purchase and resale of equipment used in either the Fixed Self Storage or Portable Storage industries.

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

For the Three Months Ended March 31 2015

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 639,278	\$ 459,248	\$ -	\$ 306	\$ 1,098,832
Operating expenses	297,393	305,367	-	201,923	804,683
Interest revenue	-	-	-	5,762	5,762
Interest expense	139,359	54,754	-	81,215	275,328
Stock based compensation	-	-	-	19,320	19,320
Depreciation & amortization	138,157	240,229	-	1,349	379,735
Net income/(loss)	<u>64,369</u>	<u>(141,102)</u>	<u>-</u>	<u>(297,739)</u>	<u>(374,472)</u>
Additions:					
Property, plant & equip.	-	133,305	-	-	133,305
Intangible Assets	-	-	-	-	-

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

For the Three Months Ended March 31, 2015 and 2014

*(Unaudited)***Note 14 - Continued****For the Three Months Ended March 31, 2014**

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
Revenue	\$ 696,788	\$ 414,997	\$ -	\$ 918	\$ 1,112,703
Operating expenses	298,364	266,964	-	269,963	835,291
Interest revenue	-	-	-	5,103	5,103
Interest expense	168,562	40,188	-	87,551	296,301
Stock based compensation	-	-	-	-	-
Depreciation & amortization	143,531	171,935	-	1,974	317,440
Net income/(loss)	<u>86,331</u>	<u>(64,090)</u>	<u>-</u>	<u>(353,467)</u>	<u>(331,226)</u>
Additions:					
Property, plant & equip.	6,561	31,840	-	-	38,401
Intangible Assets	-	-	-	1,339	1,339

Total Assets

	Fixed Self Storage	Portable Storage	Equipment	Corporate	Total
As at March 31, 2015	\$ 17,814,026	\$ 8,287,361	\$ -	\$ 1,808,973	\$ 27,910,360
As at December 31, 2014	\$ 17,958,528	\$ 8,401,362	\$ -	\$ 2,244,302	\$ 28,604,192

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

15. Commitments and Contingencies

Operating Lease Commitment

The Corporation leases the land in Winnipeg, MB on which its Kenaston Self Storage buildings are situated. The lease does not contain any contingent rent clauses. It does not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, this lease is considered an operating lease as the risk and reward of ownership of the land remains with the landlord. The lease expires in 2027 with up to 20 years of renewals at the option of the Corporation after that time.

The future minimum lease payments, excluding incidental costs for which the Corporation is responsible, are as follows:

Less than one year	\$ 62,512
Between one and five years	250,307
More than five years	<u>453,992</u>
	\$ 766,811

During the three months ended March 31, 2015, the Corporation recognized as an expense \$15,132, (March 31, 2014 - \$14,884) in operating lease payments.

Contingency

In March, 2015, the Corporation became subject to a legal proceeding arising from the construction of a building in Calgary, AB. The amount of claim is \$50,000. Management is of the opinion, based on information presently available, that the claim against the Corporation is without merit and that it is unlikely that any liability would be material in relation to the Corporation's consolidated financial statements. The Corporation has no legal contingency provisions at either March 31, 2015 or December 31, 2014.

16. Subsequent Events

On December 2, 2014 the Corporation entered into a purchase agreement (the "Purchase Agreement"), with Access Self Storage Inc. ("Access") and Cubeit Portable Storage Canada Inc. ("Cubeit"), collectively referred to as (the "Vendors"), pursuant to which the Corporation agreed to purchase all of the portable storage assets and business of Cubeit and certain of the self-storage assets and business of Access (the "Purchased Assets") for an aggregate purchase price of \$51,275,000, subject to customary adjustments (the "Proposed Acquisition"). The Vendors are not related parties to the Corporation. Pursuant to the terms of the Purchase Agreement, the Proposed Acquisition would occur in two tranches. The purchase price for the first tranche (the "First Tranche") would be \$25,575,000, subject to adjustments, including dollar for dollar adjustments if the appraised value of the Purchased Assets is more or less than the purchase price. The purchase price for the second tranche (the "Second Tranche") would be \$25,700,000, subject to adjustments, including dollar for dollar adjustments if the appraised value of the Purchased Assets is more or less than the purchase price.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(Unaudited)

Note 16 - Continued

On April 28, 2015, the Corporation completed the closing of the First Tranche. Pursuant to the First Tranche closing, the Corporation acquired four self-storage locations with an aggregate of approximately 1,500 rental units with approximately 133,000 square feet of rentable self-storage space and the entire Cubeit portable storage business and the rights to operate such business in Canada. The Cubeit business currently operates out of 9 locations and includes 1,254 portable storage container units. With the completion of the First Tranche closing the Corporation will operate 10 self-storage facilities and 18 portable locations covering the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and Nova Scotia.

The purchase price for the First Tranche was \$26,475,000 (subject to customary adjustments). For the First Tranche, the sum of \$11,480,381 was paid by the issuance of 30,211,529 common shares of the Corporation ("Common Shares") at a deemed price of \$0.38 per Common Share, which Common Shares are subject to a hold period that expires on August 29, 2015. The balance of the purchase price for the First Tranche of \$14,928,808 (after standard and customary adjustments) was paid in cash by drawing on the Corporation's credit facilities (see below). The closing of the First Tranche received final acceptance of the TSX Venture Exchange on May 20, 2015.

Concurrent with the closing of the acquisition of the Purchased Assets, the Corporation has granted a total of 2,901,000 options to purchase common shares of the Corporation to directors, officers, employees and consultants of the Corporation, with an exercise price of \$0.41 and an expiry date of April 28, 2025.

StorageVault Canada Inc.

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Iqbal Khan
Toronto, ON

Alan Simpson
Regina, SK

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TSX VENTURE EXCHANGE LISTING

SVI
