

StorageVault Canada Inc.

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM CONSOLIDATED 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 2017	December 31 2016
Assets		
Real estate and equipment, net (Note 5)	\$ 352,194,121	\$ 325,491,723
Goodwill and intangible assets, net (Note 6)	19,424,490	3,425,090
Accounts receivable	1,347,395	1,354,796
Prepaid expenses and other current assets	7,046,020	662,080
Cash and short term deposits	24,731,741	11,869,892
	\$ 404,743,767	\$ 342,803,581
Liabilities and Shareholders' Equity		
Long term debt (Note 7)	\$ 183,592,245	\$ 164,023,513
Lines of credit and promissory note (Note 7)	47,058,426	18,483,081
Unearned revenue	1,168,190	1,202,785
Accounts payable and accrued liabilities	6,206,989	3,406,008
	238,025,850	187,115,387
Shareholders' Equity		
Share capital (Note 8)	206,811,636	185,768,388
Dividends paid (Note 8)	(2,545,584)	(1,795,638)
Contributed surplus (Note 8)	3,777,525	2,243,239
Deficit	(41,325,660)	(30,527,795)
	166,717,917	155,688,194
	\$ 404,743,767	\$ 342,803,581

Commitments and Contingencies (Note 14)

Approved on behalf of the Board:

"signed" Steven Scott
 Director

"signed" Iqbal Khan
 Director

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

StorageVault Canada Inc.
Unaudited Interim Consolidated Statements of Changes in Equity

	March 31 2017	March 31 2016
Common Share Capital		
Balance, beginning of the period	\$ 185,768,388	\$ 66,867,412
Common shares issued, net of issuance costs (Note 8)	21,043,248	5,485,170
Common shares repurchased	-	-
Balance, end of the period	206,811,636	72,352,582
Contributed Surplus		
Balance, beginning of the period	\$ 2,243,239	\$ 1,034,865
Stock based compensation (Note 8)	1,534,286	-
Balance, end of the period	3,777,525	1,034,865
Deficit		
Balance, beginning of the period	\$ (30,527,795)	\$ (9,338,359)
Net loss	(10,797,865)	(1,331,005)
Balance, end of the period	(41,325,660)	(10,669,364)

StorageVault Canada Inc.**Unaudited Interim Consolidated Statements of Income (Loss) & Comprehensive Income (Loss)****For the Three Months Ended March 31**

	2017	2016
Revenue		
Storage and related services	\$ 10,133,138	\$ 5,296,970
Expenses		
Operating costs	3,981,886	2,227,599
Acquisition and integration costs	719,375	318,825
Selling, general and administrative	710,850	435,855
Stock based compensation (Note 8)	1,534,286	-
Depreciation, amortization and goodwill adjustment (Notes 5, 6)	11,917,189	2,340,507
Interest	2,067,417	1,305,189
	20,931,003	6,627,975
Net income (loss) and Comprehensive income (loss)	\$ (10,797,865)	\$ (1,331,005)
Net income (loss) per common share		
Basic	\$ (0.037)	\$ (0.008)
Diluted	\$ (0.037)	\$ (0.008)
Weighted average number of common shares outstanding		
Basic	290,172,409	169,024,722
Diluted	290,172,409	169,024,722

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

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

	2017	2016
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	\$ (10,797,865)	\$ (1,331,005)
Adjustment for non-cash items:		
Depreciation, amortization and goodwill adjustment (Notes 5, 6)	11,917,189	2,340,507
Amortization of deferred financing costs	112,851	38,364
Amortization of bond premiums	-	2,627
Stock based compensation (Note 8)	1,534,286	-
Cash flow from operations before non-cash working capital balances	2,766,461	1,050,493
Net change in non-cash working capital balances		
Accounts receivable	672,441	(26,180)
Prepaid expenses and other current assets	(25,129)	(101,240)
Accounts payable and accrued liabilities	1,816,384	1,334,198
Unearned revenue	(34,595)	173,841
	5,195,562	2,431,112
Financing activities		
Common shares issued, net of issuance costs (Note 8)	153,750	5,485,170
Dividends paid	(435,110)	-
Advances from long term debt	44,675,938	-
Repayment of long term debt	(1,478,145)	(564,171)
Debt issuance costs	(203,081)	-
	42,713,352	4,920,999
Investing activities		
Acquisitions (Note 4)	(27,950,000)	(978,000)
Additions to property and equipment (Note 5)	(1,057,811)	(338,838)
Deposits on acquisitions	(5,374,214)	-
Change in non-cash working capital accounts receivable	(665,040)	-
Proceeds on disposal of property and equipment	-	70,509
	(35,047,065)	(1,246,329)
Increase in cash and short term deposits	12,861,849	6,105,782
Cash and short term deposits balance, beginning of period	11,869,892	2,381,390
Cash and short term deposits balance, end of period	24,731,741	8,487,172

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

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

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, 2017 were authorized for issuance by the Board of Directors of the Corporation on May 1, 2017. 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 ("Exchange"). The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

The Corporation's primary business is owning, operating and leasing storage to individual and commercial customers across Canada.

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, 2017, including 2016 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, 2016. 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 consolidated financial statements were prepared on a going concern basis, and are presented in Canadian dollars, which is the Corporation's functional currency.

3. Accounting policies

Basis of Consolidation

The interim consolidated financial statements include the accounts of StorageVault Canada Inc. and the consolidated entity 1712066 Alberta Ltd. ("1712066"), both of which are headquartered in Toronto, ON. 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 interim consolidated financial statements.

Consolidated Entity

StorageVault Canada Inc. established 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,

Note 3 – Continued

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 results 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 rendering of services and sales of goods 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 weekly or 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 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. Revenue from investments is recognized when earned.

Business Combinations

All business combinations are accounted for by applying the acquisition method. On acquisition, the assets (including intangible assets), liabilities and contingent liabilities acquired 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. Acquisition and integration costs are recognized in profit or loss as incurred.

Goodwill represents the excess of the identifiable cost of an acquisition over the fair value of the Corporation's share of the net assets/net liabilities acquired at the date of acquisition. If the identifiable cost of acquisition is less than the fair value of the Corporation's share of the net assets/net liabilities acquired (i.e. a discount on acquisition) the difference is credited to the Interim 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.

Note 3 – Continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Significant Accounting Estimates and Judgments

The preparation of the interim 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.

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 and equipment – The Corporation determines the carrying value of its property and equipment based on policies that incorporate estimates, assumptions and judgments relative to the useful lives and residual values of the assets.
- Impairment of non-financial assets - Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The estimated future cash flows are derived from management estimates, budgets and past performance and do not include activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.
- 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.

Note 3 – Continued

- 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.
- 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 inflows 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. 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 these Interim Consolidated Statements of Financial Position are 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 these Interim Consolidated Statements of Cash Flows, cash and short term deposits are defined as above, net of outstanding bank overdrafts, except where no right of set-off exists.

Short Term Investments

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

Property and Equipment

Property 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 Interim 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. Land is not depreciated.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

Note 3 – Continued

Depreciation is calculated using the declining balance method to depreciate the cost of property and equipment to their residual values over their estimated useful lives, as follows:

Land, Yards, Buildings & Improvements -	Buildings	4%
	Leasehold improvements	20%
	Business operating equipment	10%
	Fences and parking lots	8%
Storage Containers –	Storage containers	10%
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 and equipment are reviewed, and adjusted if appropriate, at each Interim 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 Interim 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.

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 acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. 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 of disposal, 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 Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

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 – 22 to 48 months; Website Development Costs – 12 months.

Note 3 – Continued

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 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 Interim 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 Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) on a straight-line basis over the term of the lease.

Income Taxes

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Interim 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.

Stock Based Compensation

The fair value of stock options issued to directors, officers 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 Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) and contributed

Note 3 – Continued

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 options issued to advisors in conjunction with financing transactions is estimated at the date of issue using the fair value of the goods and services received first, if determinable, then by 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.

Income (Loss) per Share

Basic income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (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.

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 and or CFO 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.

Note 3 – Continued

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 initially 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 Interim 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. 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.

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.

Note 3 – Continued

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. Subsequent to initial recognition they are measured at amortized cost using the effective interest method, less any impairment losses.

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 Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

The Corporation does not have any financial liabilities at FVTPL at the end of year.

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. 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, lines of credit, and long term debt.

Future Accounting Pronouncements

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation is still evaluating the impact the adoption of this standard will have on its consolidated financial statements. The Corporation expects to apply the standard with its mandatory effective date.

Note 3 – Continued

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation is still evaluating the impact the adoption of this standard will have on its consolidated financial statements. The Corporation expects to apply the standard with its mandatory effective date.

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation is still evaluating the impact the adoption of this standard will have on its consolidated financial statements. The Corporation expects to apply the standard with its mandatory effective date.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

4. Acquisitions

During the three months ended March 31, 2017, the Corporation completed the below transactions that met the definition of a business under IFRS 3 – Business Combinations. These acquisitions have been accounted for using the acquisition method with the results of the operations being included in the consolidated financial statements of the Corporation since the date of acquisition. At the time the financial statements were authorized for issue, the Corporation had not yet completed the accounting for the acquisitions 1 to 4. In particular, the purchase allocations of the fair values of the assets acquired and consideration paid disclosed below have only been determined provisionally as the valuations have not been finalized. Details of the acquisitions are:

Acquisition 1:

On March 21, 2017 the Corporation completed the acquisition of one self storage location for \$7,400,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by cash on hand.

A summary of the assets and liabilities acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 5,892,916
Tenant Relationships	1,507,084
Net Assets Acquired	<u>7,400,000</u>

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

Cash	7,400,000
	<u>7,400,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	41,279
Operating costs	5,997
Net income (loss)	<u>\$ 35,282</u>

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
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Note 4 – Continued

Acquisition 2:

On March 31, 2017 the Corporation completed the acquisition of one self storage location for \$2,800,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by advances from long term debt, issuance of common shares and cash on hand.

A summary of the assets and liabilities acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 2,190,961
Tenant Relationships	609,039
	<u>2,800,000</u>
Goodwill	76,470
Net Assets Acquired	<u><u>2,876,470</u></u>

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

Advances from long term debt	1,539,488
Issuance of common shares	326,470
Cash	1,010,512
	<u><u>2,876,470</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	130
Operating costs	1,460
Net income (loss)	<u><u>\$ (1,330)</u></u>

The goodwill booked on the acquisition has resulted from the difference in the quoted market price of the common shares at the acquisition date compared to the price of the common shares at the time of the agreement.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

Note 4 – Continued

Acquisition 3:

On March 31, 2017 the Corporation completed the acquisition of five self storage locations for \$22,000,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by advances from long term debt, issuance of common shares and cash on hand.

A summary of the assets and liabilities acquired are as follows:

Land, Yards, Buildings & Improvements	\$18,809,012
Tenant Relationships	3,190,988
	<u>22,000,000</u>
Goodwill	1,920,000
Net Assets Acquired	<u><u>23,920,000</u></u>

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

Advances from long term debt	12,969,242
Issuance of common shares	5,920,000
Cash	5,030,758
	<u><u>23,920,000</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	15,444
Operating costs	3,462
Net income (loss)	<u><u>\$ 11,982</u></u>

The goodwill booked on the acquisition has resulted from the difference in the quoted market price of the common shares at the acquisition date compared to the price of the common shares at the time of the agreement.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
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Note 4 – Continued

Acquisition 4:

On March 31, 2017 the Corporation completed an acquisition to internalize management of the Corporation's stores and acquired third party management contracts for over 55 stores for \$16,000,000 (subjected to customary adjustments). The acquisition was a non-arm's length transaction. The purchase price was paid for by the issuance of common shares and a promissory note (Note 7).

A summary of the assets and liabilities acquired are as follows:

Management Contracts	\$16,000,000
Goodwill	3,364,706
Net Assets Acquired	<u>19,364,706</u>

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

Issuance of common shares	14,364,706
Promissory note	5,000,000
	<u>19,364,706</u>

Selected information for the acquisition, since its acquisition date:

Revenue	-
Operating costs	-
Net income (loss)	<u>\$ -</u>

The goodwill booked on the acquisition has resulted from the difference in the quoted market price of the common shares at the acquisition date compared to the price of the common shares at the time of the agreement.

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2017 and 2016

5. Real Estate and Equipment

	Land, Yards, Buildings & Improvements	Storage Containers	Intangible Tenant Relationships	Vehicles	Office & Computer Equipment	Total
COST						
December 31, 2015	138,559,676	10,862,211	21,231,859	4,571,354	795,087	176,020,187
Additions	459,618	1,905,663	-	420,813	166,698	2,952,792
Disposals	(3,009,383)	(724,396)	(569,390)	(450,207)	(5,630)	(4,759,006)
Business acquisitions	158,490,067	295,000	19,376,266	-	225,000	178,386,333
December 31, 2016	294,499,978	12,338,478	40,038,735	4,541,960	1,181,155	352,600,306
Additions	956,808	-	-	3,200	97,803	1,057,811
Disposals	-	-	-	-	-	-
Business acquisitions	26,817,889	-	5,307,111	-	75,000	32,200,000
March 31, 2017	322,274,675	12,338,478	45,345,846	4,545,160	1,353,958	385,858,117
ACCUMULATED DEPRECIATION						
December 31, 2015	5,178,496	2,944,204	2,404,405	1,795,626	235,530	12,558,261
Depreciation	7,175,565	697,484	6,711,976	920,348	149,895	15,655,268
Disposals	(69,674)	(450,710)	(221,159)	(362,262)	(1,141)	(1,104,946)
December 31, 2016	12,284,387	3,190,978	8,895,222	2,353,712	384,284	27,108,583
Depreciation	3,518,826	228,274	2,591,611	170,535	46,167	6,555,413
Disposals	-	-	-	-	-	-
March 31, 2017	15,803,213	3,419,252	11,486,833	2,524,247	430,451	33,663,996
NET BOOK VALUE						
December 31, 2016	282,215,591	9,147,500	31,143,513	2,188,248	796,871	325,491,723
March 31, 2017	306,471,462	8,919,226	33,859,013	2,020,913	923,507	352,194,121

Included in Land, Yards, Buildings & Improvements is Land at a value of \$94,147,284 (March 31, 2016 - \$89,613,407).

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

For the Three Months Ended March 31, 2017 and 2016

6. Goodwill and Intangible Assets

	<u>Goodwill</u>	<u>Other Intangible Assets</u>			<u>Total</u>
		<u>Management Contracts</u>	<u>Franchise Agreements</u>	<u>Website Development</u>	
COST					
December 31, 2015	3,423,490	-	20,000	23,172	3,466,662
Additions	11,670,454	-	-	-	11,670,454
Write down	(11,670,454)	-	-	-	(11,670,454)
December 31, 2016	3,423,490	-	20,000	23,172	3,466,662
Additions	5,361,176	16,000,000	-	-	21,361,176
Write down	(5,361,176)	-	-	-	(5,361,176)
March 31, 2017	3,423,490	16,000,000	20,000	23,172	19,466,662
ACCUMULATED AMORTIZATION					
December 31, 2015	-	-	16,000	23,172	39,172
Amortization	-	-	2,400	-	2,400
December 31, 2016	-	-	18,400	23,172	41,572
Amortization	-	-	600	-	600
March 31, 2017	-	-	19,000	23,172	42,172
NET BOOK VALUE					
December 31, 2016	3,423,490	-	1,600	-	3,425,090
March 31, 2017	3,423,490	16,000,000	1,000	-	19,424,490

The goodwill of \$5,361,176 recognized during the three months ended March 31, 2017 relates to the acquisitions completed during the period (see Note 4) and is allocated to the underlying properties purchased. At March 31, 2017, the Company conducted its impairment assessment of the CGU's whose net carrying value included this goodwill. The Corporation used the fair value less costs of disposal method to determine the recoverable amount of the CGUs determined using the provisional fair values of the assets acquired (see Note 4). As the goodwill resulted from the difference in the quoted market price of the common shares at the acquisition date compared to the price of the common shares at the time of the agreement a goodwill adjustment of \$5,361,176 was recorded for the three months ended March 31, 2017.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

7. Long Term Debt and Lines of Credit

	March 31, 2017			December 31, 2016		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Mortgages</u>						
Fixed/Variable	3.18% to 5.50%	4.08%	184,601,274	3.46% to 5.50%	4.09%	164,942,311
	<i>Maturity: October 2017 to April 2022</i>			<i>Maturity: October 2017 to January 2022</i>		
Deferred financing costs net of accretion of \$748,828 (December 31, 2016 - \$635,977)			(1,009,029)			(918,798)
			183,592,245			164,023,513
<u>Lines of Credit and Promissory Note</u>						
Variable Rate	Prime plus 1.00% or BA plus 2.75%	3.61%	47,058,426	Prime plus 1.00% or BA plus 2.75%	4.38%	18,483,081
	<i>Maturity: April 2017 to August 2020</i>			<i>Maturity: April 2017 to August 2020</i>		
			230,650,671			182,506,594

The bank Prime rate at March 31, 2017 was 2.70% (December 31, 2016 - 2.70%).

Mortgages are secured by a first mortgage charge on the property and equipment of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of March 31, 2017, the Corporation is in compliance with all covenants.

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

The promissory note is non-interest bearing and is due on demand.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

Note 7 – Continued

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

Year 1	\$	52,877,341 (includes lines of credit)
Year 2	\$	6,007,831
Year 3	\$	6,241,886
Year 4	\$	6,507,390
Year 5	\$	22,342,324
Thereafter	\$	137,682,929

8. 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, 2015	167,925,820	\$ 66,867,412
Bought deal	67,647,600	57,500,460
Issued on asset acquisitions (Note 4)	45,621,212	58,803,787
Private placement	8,333,332	5,499,999
Dividend reinvestment plan	345,704	327,365
Share option redemption	36,000	14,400
Share issuance costs	-	(3,172,985)
Common shares repurchased	(100,000)	(72,050)
Balance, December 31, 2016	<u>289,809,668</u>	<u>\$ 185,768,388</u>
Issued on asset acquisitions (Note 4)	9,284,313	20,611,176
Dividend reinvestment plan	195,770	289,821
Stock option redemption	481,000	153,750
Share issuance costs	-	(11,499)
Balance, March 31, 2017	<u><u>299,770,751</u></u>	<u><u>\$ 206,811,636</u></u>

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

Note 8 - Continued

Dividend Reinvestment Plan

Represents common shares issued under the Corporations dividend reinvestment plan ("DRIP") for holders of common shares approved on April 18, 2016. Under the terms of the DRIP, eligible registered holders of a minimum of 10,000 Common Shares (the "Shareholders") may elect to automatically reinvest their cash dividends payable in respect to the common shares to acquire additional common shares, which will be issued from treasury or purchased on the open market. The Corporation may initially issue up to 5,000,000 common shares under the DRIP, which number may be increased upon board approval and TSX Venture Exchange acceptance of the increase, and upon public disclosure of the increase.

Common Shares Repurchased

Represents common shares repurchased under the Corporations Normal Course Issuer Bid ("NCIB") policy allowing for the purchase for cancellation, during the 12-month period starting May 1, 2016, up to 8,805,382 of the common shares. The program will end on April 30, 2017 unless the maximum amount of common shares is purchased before then or the Corporation provides earlier notice of termination.

Contributed surplus:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Opening balance	2,243,239	1,034,865
Stock based compensation	<u>1,534,286</u>	<u>1,208,374</u>
Ending balance	<u><u>3,777,525</u></u>	<u><u>2,243,239</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, 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 Exchange rules.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
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Note 8 – Continued

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Weighted Average</u>		<u>Weighted Average</u>	
	<u>Options</u>	<u>Exercise Price</u>	<u>Options</u>	<u>Exercise Price</u>
Opening	11,501,000	\$0.62	8,561,000	\$0.36
Exercised/Expired	(481,000)	\$0.32	(60,000)	\$0.40
Granted	3,000,000	\$1.78	3,000,000	\$1.36
Closing and Exercisable	<u>14,020,000</u>	<u>\$0.88</u>	<u>11,501,000</u>	<u>\$0.62</u>

The fair value of options granted in 2017 was estimated on the date of the grant, as determined by using the Black-Sholes option pricing model with the following assumptions:

Dividend Yield	0.6%
Risk-Free Interest Rate	1.1%
Expected Life of Options	4 Years
Expected Volatility of the Corporation's Common Shares	37.1%

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	March 31, 2017	December 31, 2016
\$0.20	Nov 5, 2007	Nov 5, 2017	954,000	1,000,000
\$0.23	May 6, 2009	May 6, 2019	1,980,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	360,000	400,000
\$0.41	April 28, 2015	April 28, 2025	2,826,000	2,901,000
\$0.50	Sept 14, 2015	Sept 14, 2025	1,900,000	2,000,000
\$1.36	Dec 21, 2016	Dec 21, 2026	3,000,000	3,000,000
\$1.78	Mar 16, 2017	Mar 15, 2027	3,000,000	-
Options exercisable and outstanding			14,020,000	11,501,000

Warrants exercisable and outstanding are as follows:

Exercise Price	Expiry Date	March 31, 2017	December 31, 2016
\$0.35	Feb 25, 2018	249,999	249,999
\$0.37	Feb 25, 2018	2,833,334	2,833,334
Warrants exercisable and outstanding		3,083,333	3,083,333

Dividends

A dividend of \$0.0025 per share was declared on March 15, 2017 and payable to shareholders of record on March 31, 2017.

9. Financial Risk Management and Fair Value

The Corporation is required to disclose certain information concerning its financial instruments. 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, 2017</u>		<u>As at December 31, 2016</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	24,731,741	24,731,741	11,869,892	11,869,892
Loans and Receivables				
Accounts receivable	1,347,395	1,347,395	1,354,796	1,354,796
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	6,206,989	6,206,989	3,406,008	3,406,008
Long term debt	230,650,671	231,201,489	182,506,594	182,600,607

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.

StorageVault Canada Inc.
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Note 9 – Continued

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.

At March 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and short term deposits	\$24,731,741	-	-	\$24,731,741
At December 31, 2016				
Assets				
Cash and short term deposits	\$11,869,892	-		\$11,869,892

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 the net income (loss) and comprehensive income (loss) if interest rates on variable rate debt had been 1% higher or lower for the three months ended March 31, 2017 would be approximately \$105,383 (March 31, 2016 - \$58,800).

- b) Credit risk - Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their financial obligations to the Corporation. The risk of incurring bad debts often arises if storage customers relocate and cannot be found to enforce payment, or if storage customers abandon their possessions. The extent of bad debts can be mitigated by quickly following up on any unpaid amounts shortly after the due date, enforcing late fees, denying access to any customers with delinquent accounts, and ultimately seizing the possessions of the customer. Additionally the Corporation typically rents to numerous customers, each of which constitutes significantly less than 5% of the Corporation’s monthly revenue. This diversification in the customer base reduces credit risk from any given tenant.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
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Note 9 - Continued

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

	March 31, 2017	December 31, 2016
<i>Trade Receivables</i>		
Under 60 days aged	\$ 541,934	\$625,446
Between 60 and 90 days (past due but not impaired)	139,501	46,625
Over 90 days	219,457	127,013
Allowance for doubtful accounts	(218,537)	(120,000)
<i>Non-Trade Receivables</i>		
Over 30 days aged (not impaired)	665,040	675,712
	<u>\$1,347,395</u>	<u>\$1,354,796</u>

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

Balance December 31, 2015	\$62,119
Charges or adjustments during the year	<u>57,881</u>
Balance December 31, 2016	\$120,000
Charges or adjustments during the year	<u>98,537</u>
Balance March 31, 2017	<u>\$218,537</u>

The creation and release of the allowance for doubtful accounts has been included in operating costs in these Interim 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 operating 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 operating requirements, debt repayment obligations and will provide sufficient funding for anticipated capital expenditures. Maturities of long term financial liabilities are summarized in Note 8.

Note 9 – Continued

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

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

10. Related Party Transactions

During the three months ended March 31, 2017, the Corporation paid total management fees of \$293,321 (March 31, 2016 - \$173,353) to Access Results Management Services Inc. ("ARMS"), a corporation controlled by two directors and officers of the Corporation. Pursuant to a management agreement, ARMS is entitled to a base management fee of \$194,758 for fiscal 2017, as well as an annual performance fee of 4% of net operating income ("NOI"), defined as storage and related services revenue less property operating costs, if the Corporation attains 85% or greater of its annual board-approved budgeted NOI for that fiscal year.

During the three months ended March 31, 2017, the Corporation reimbursed operational wages of \$1,545,892 (March 31, 2016 - \$901,735) and training, travel and related expenses of \$16,804 (March 31, 2016 - \$56,089) to ARMS. These expenses, reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three months ended March 31, 2017, the Corporation paid loan guarantee fees of \$42,500 (March 31, 2016 - \$44,678) to a director of the Corporation and to a related corporation. As a condition of the assumption of two mortgages, the director and corporation were required to provide a guarantee for the entire outstanding principal balance of the mortgages. The loan guarantee fee is compensation for the provision of this guarantee and is paid on a monthly basis at the annual rate of 0.5% and 0.4% of the original mortgage principal balances. A portion of the loan guarantee payments ceased in August 2016, while the remainder will end in September 2017.

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 portable storage throughout Canada. CPFI is a corporation related to two directors and officers of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the three months ended March 31, 2017, the Corporation paid \$37,813 (March 31, 2016 - \$32,216) for royalties and \$1,112,595 (March 31, 2016- \$nil) for storage containers and other equipment under the Master Franchise Agreement.

StorageVault Canada Inc.
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Note 10 – Continued

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at March 31, 2017 was \$nil (December 31, 2016 - \$13,797) payable to CPFI and \$1,650,145 (December 31, 2016 - \$1,191,647) payable to ARMS.

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:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Wages, management fees, bonuses and directors fees	32,450	34,628
Stock based compensation	<u>1,293,914</u>	-
	<u><u>1,326,364</u></u>	<u><u>34,628</u></u>

11. 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 fair value ratio.

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
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12. Segmented Information

The Corporation operates two 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.

- Self Storage – involves the customer leasing space at the Corporation’s property for short or long term storage. Self storage may also include space for storing vehicles and use for small commercial operations.
- Portable Storage – this segment involves delivering a portable storage unit to the customer. The customer can opt to keep the portable storage unit at their location or have it moved to another location for further storage.

The Corporation evaluates performance and allocates resources based on earnings before interest, taxes, depreciation, amortization and stock based compensation. Corporate costs are not allocated to the segments and are shown separately below.

For the Three Months Ended March 31, 2017

	Self Storage	Portable Storage	Corporate	Total
Revenue	\$ 9,038,532	\$ 1,094,606	\$ -	\$ 10,133,138
Operating expenses	3,237,618	744,268	-	3,981,886
Net operating income	5,800,914	350,338	-	6,151,252
Acquisition and integration	-	-	719,375	719,375
Selling, general & admin.	-	-	710,850	710,850
Interest expense	1,888,151	61,768	117,498	2,067,417
Stock based compensation	-	-	1,534,286	1,534,286
Depreciation, amortization and goodwill adjustment	5,980,384	560,843	5,375,962	11,917,189
Net income/(loss)	(2,067,621)	(272,273)	(8,457,971)	(10,797,865)
Additions:				
Property & equip.	33,199,518	58,293	-	33,257,811
Intangible Assets	-	-	16,000,000	16,000,000

StorageVault Canada Inc.
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Note 12 – Continued

For the Three Months Ended March 31, 2016

	Self Storage	Portable Storage	Corporate	Total
Revenue	\$ 4,437,257	\$ 859,713	\$ -	\$ 5,296,970
Operating expenses	1,600,399	627,200	-	2,227,599
Net operating income	2,836,858	232,513	-	3,069,371
Acquisition and integration	-	-	318,825	318,825
Selling, general & admin.	-	-	435,855	435,855
Interest expense	1,173,133	104,252	27,804	1,305,189
Stock based compensation	-	-	-	-
Depreciation & amortization	1,900,961	421,097	18,449	2,340,507
Net income/(loss)	<u>(237,236)</u>	<u>(292,836)</u>	<u>(800,933)</u>	<u>(1,331,005)</u>
Additions:				
Property & equip.	1,418,016	4,047	-	1,422,063

Total Assets

	Self Storage	Portable Storage	Corporate	Total
As at December 31, 2016	\$ 316,524,663	\$ 15,457,428	\$ 10,821,490	\$ 342,803,581
As at March 31, 2017	\$ 349,455,521	\$ 15,104,805	\$ 40,183,441	\$ 404,743,767

13. Commitments and Contingencies

Operating Lease Commitments

The Corporation leases buildings and lands in Winnipeg, MB, Kamloops, BC and Montreal, QC. The leases do not contain any contingent rent clauses. They do not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, these leases are considered operating leases as the risk and reward of ownership of the lands remain with the landlords. The leases expire between 2018 and 2054, with the leases expiring in 2027 and 2032 having up to 20 years and 25 years of renewals, respectively, 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	\$ 1,185,313
Between one and five years	4,572,734
More than five years	<u>21,336,489</u>
	<u>\$ 27,094,537</u>

During the three months ended March 31, 2017, the Corporation recognized as an expense \$248,754 (March 31, 2016 - \$45,389) in operating lease payments.

Contingency

The Corporation has no legal contingency provisions at either March 31, 2017 or December 31, 2016.

StorageVault Canada Inc.

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SVI