

StorageVault Canada Inc.
Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(Unaudited)



StorageVault Canada Inc.
Balance Sheet

	September 30, 2010	December 31, 2009
	<i>unaudited</i>	<i>audited</i>
Assets		
Current		
Cash	\$ 705,387	\$ 311,885
Accounts receivable	150,301	155,582
Inventory	1,573	3,986
Deposits	141,862	109,468
Other current assets	85,007	64,934
	\$ 1,084,130	\$ 645,855
Income producing properties (Note 4)	12,338,570	9,846,270
Intangible assets (Note 5)	17,500	122,667
Goodwill (Note 6)	1,448,607	1,448,607
	\$ 14,888,807	\$ 12,063,399
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 173,964	\$ 332,698
Unearned revenue	66,380	29,067
Current portion of capital lease obligations (Note 7)	24,370	40,164
Current portion of long term debt (Note 8)	339,813	292,932
	604,527	694,861
Capital lease obligations (Note 7)	12,454	27,139
Long term debt (Note 8)	6,707,750	5,487,775
Preferred shares (Note 9)	1,141,252	-
	8,465,983	6,209,775
Shareholders' Equity		
Common shares (Note 10)	6,513,186	6,513,186
Preferred shares (Note 10)	847,675	-
Contributed surplus (Note 10)	470,208	470,208
Deficit	(1,408,245)	(1,129,770)
	6,422,824	5,853,624
	\$ 14,888,807	\$ 12,063,399

Approved on behalf of the Board:

"signed" Alan Simpson
 Director

"signed" Glenn Fradette
 Director

StorageVault Canada Inc.

Statement of Operations and Comprehensive Loss and Deficit

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenue				
Storage and related services	\$ 713,085	\$ 521,731	\$ 1,784,051	\$ 1,237,016
Interest and miscellaneous	38,912	5,268	56,860	9,251
	751,997	526,999	1,840,911	1,246,267
Expenses				
Property operating costs	307,041	212,348	788,033	465,216
Selling, general and administrative	119,914	64,256	285,881	265,413
Stock based compensation	-	-	-	343,958
Amortization	209,751	235,142	687,415	626,151
Interest	124,523	95,622	336,167	230,713
	761,229	607,368	2,097,496	1,931,451
Net Loss and Comprehensive Loss	\$ (9,232)	\$ (80,369)	\$ (256,585)	\$ (685,184)
Deficit, beginning of period	(1,388,034)	(968,042)	(1,129,770)	(363,227)
Dividends on preferred shares	(10,979)	-	(21,890)	-
Deficit, end of period	\$ (1,408,245)	\$ (1,048,411)	\$ (1,408,245)	\$ (1,048,411)
Basic and diluted net loss per common share	\$ (0.000)	\$ (0.002)	\$ (0.008)	\$ (0.021)
Weighted average number of common shares outstanding	33,710,711	33,710,711	33,710,711	33,232,928

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.

Statement of Cash Flows

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Cash provided by (used for) the following activities:				
Operating activities				
Net Loss	\$ (9,232)	\$ (80,369)	\$ (256,585)	\$ (685,184)
Adjustment for non-cash items:				
Stock based compensation	-	-	-	343,958
Stock dividend classified as interest	7,089	-	14,133	-
Amortization	209,751	235,142	687,415	626,151
	207,608	154,773	444,963	284,925
Net change in non-cash working capital balances				
Accounts receivable	31,759	92,664	5,281	(57,582)
Inventory	3,994	(903)	2,413	(6,310)
Deposits	(60,497)	14,824	(32,394)	187,360
Other current assets	(9,875)	(23,642)	(20,073)	(57,162)
Accounts payable and accrued liabilities	12,374	25,226	(158,734)	9,018
Unearned revenue	(1,242)	(20,298)	37,313	18,856
	184,121	242,644	278,769	379,105
Financing activities				
Issuance of preferred shares, net of costs	-	-	1,963,850	-
Cash dividends paid	(12,578)	-	(25,078)	-
Increase in Preferred Shares-debt component	7,089	-	14,133	-
Advances from long term debt	-	-	1,495,000	450,000
Repayment of long term debt	(84,128)	(63,943)	(230,128)	(147,096)
Repayment of capital leases	(10,366)	(9,538)	(30,479)	(28,049)
Deferred financing costs	-	(995)	(9,552)	(55,123)
	(99,983)	(74,476)	3,177,746	219,732
Investing activities				
Acquisition of net assets of Kenaston	-	-	-	(2,912,000)
Acquisition of assets of B&B Mini Storage	-	-	(2,367,500)	-
Additions to income producing properties	(411,060)	(276,515)	(695,513)	(842,138)
Purchase of investments	-	-	(600,000)	-
Redemption of investments	600,000	-	600,000	3,305,419
	188,940	(276,515)	(3,063,013)	(448,719)
Increase (decrease) in cash	273,078	(108,347)	393,502	150,118
Cash balance, beginning of period	432,309	410,489	311,885	152,024
Cash balance, end of period	705,387	302,142	705,387	302,142
Supplementary cash flow information				
Cash paid during the period for:				
Interest	127,151	95,622	335,022	211,221
Income taxes	-	-	-	-

The accompanying notes are an integral part of these financial statements

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

1. Incorporation, nature and continuance of operations

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

2. Accounting policies

The unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly they do not contain all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. Refer to the Corporation's audited financial statements as at December 31, 2009. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results that can be expected for the year ended December 31, 2010.

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

Measurement Uncertainty

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

Short Term Investments

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

StorageVault Canada Inc.

Notes to the Financial Statements

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Income Producing Properties

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

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

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

Goodwill

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

Leases

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

StorageVault Canada Inc.

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Long-lived Assets

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

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

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

Future Income Taxes

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

Share Issuance Costs

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

Loss Per Share

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

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Revenue Recognition

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

Revenue from investments is recognized when earned.

Stock Based Compensation

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

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

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

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

Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity from transactions and other events and circumstances from non-owner sources. "Other comprehensive income" refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. For the period ended September 30, 2010 there was no other comprehensive income item, nor is there any accumulated balance of other comprehensive income.

StorageVault Canada Inc.

Notes to the Financial Statements

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Financial Instruments

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

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

StorageVault Canada Inc.

Notes to the Financial Statements

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Change in Accounting Policies

In January 2006, the Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. On February 13, 2008, the AcSB confirmed that effective for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canada's current Generally Accepted Accounting Principles ("Canadian GAAP") for all publicly accountable profit-oriented enterprises. The Corporation has developed a conversion plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information relating to 2010. The conversion project consists of three phases:

Phase 1 Preliminary Impact Assessment – This phase involves the high-level identification and assessment of the differences between IFRS and Canadian GAAP that will impact the Corporation.

Phase 2 Detailed Evaluation – This phase involves performing a detailed impact assessment of the differences between IFRS and Canadian GAAP, reviewing and approving accounting policy choices, undertaking IFRS training, identifying impact on systems and business processes, quantifying IFRS conversion adjustments and drafting IFRS compliant consolidated financial statements.

Phase 3 Implementation – This phase involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing pro-forma IFRS compliant consolidated interim and annual financial statements for the 2011 fiscal year including comparatives.

The Corporation has completed Phase 1 and is currently in Phase 2 of the project. Phase 2 is now scheduled to be completed in Q4 of 2010 at which point Phase 3 will commence.

As a result of the preliminary impact assessment, the impact of IFRS adoption is expected to be the greatest in the following areas:

First-time adoption of IFRS ("IFRS 1")

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. There are currently fifteen elective exemptions and four mandatory exceptions that need to be considered. The Corporation currently expects to apply elective exemptions such that it will not restate the accounting of past business combinations. The remaining elective exemptions are thought to have limited or no applicability to the Corporation; however, further analysis is still required.

Property, plant and equipment

IFRS and Canadian GAAP contain the same basic principles for property, plant and equipment; however, there are some differences. Specifically, IFRS requires property, plant and equipment to be broken down into significant components and amortizing each one separately. In addition, unlike Canadian GAAP, IFRS permits property, plant and equipment to be measured at fair value or amortized cost. In this regard, the Corporation expects to continue to reflect property, plant and equipment at amortized cost.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(*unaudited*)

Impairment of assets

Canadian GAAP impairment testing involves two steps, the first of which compares the asset carrying value with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying value is written down to estimated fair value.

IAS 36 Impairment of Assets ("IAS 36") uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may result in more frequent write-downs where carrying values of assets were previously accepted under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Furthermore, IAS 36 requires the reversal of an impairment loss for an asset other than goodwill (under the cost method by no more than what the depreciated amount of the asset would have been had the impairment not occurred) where there is an indication that circumstances have changed and that the impairment loss no longer exists or may have decreased. This is not allowed under Canadian GAAP.

Business Combinations

Both IFRS and Canadian GAAP require the acquisition method of accounting for all business combinations. However, differences exist between the two frameworks in other areas. The most significant difference is that transaction costs are expensed immediately under IFRS whereas under Canadian GAAP such costs are included in the cost of the asset acquired. The Corporation early adopted section 1582 Business Combinations under Canadian GAAP and as such there will be limited change upon adoption of IFRS 3.

Income taxes

IAS 12 Income Taxes is similar to Canadian GAAP in that the Corporation has to recognize deferred (future) taxes on temporary differences between the carrying value of assets and liabilities and their tax basis. The adoption of IFRS may have a significant impact on the Corporation's tax accounting in the period of adoption and in subsequent periods for new temporary differences arising on the conversion to IFRS as a result of changes in carrying values of assets, differences in depreciation expense, residual values, capitalization of borrowing and direct costs and impairment charges and reversals.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period, and as a result, the final impact on the Corporation's financial statements will only be measured once all the IFRS applicable at the conversion date are known.

The impact on information technology and controls over financial reporting and disclosure is not expected to be significant.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

3. Acquisitions

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

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

A summary of the assets acquired and liabilities assumed using the purchase method of accounting, resulting from acquisitions in the current fiscal year is as follows:

Tangible Assets	
Land	600,000
Buildings	1,680,000
Parking lots and fences	75,000
Furniture and equipment	12,500
Net Assets Acquired	<u>2,367,500</u>

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

Cash	872,500
Proceeds from first mortgage on the property	1,495,000
	<u>2,367,500</u>

Selected information for the acquisition, since its acquisition date:

Revenue	127,473
Operating costs	52,389
Amortization	30,487
Interest	32,217
Net income	<u>12,380</u>

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

For the Three and Nine Months ended September 30, 2010 and 2009

*(unaudited)***4. Income Producing Properties**

	September 30, 2010			December 31, 2009		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Land	1,713,800	-	1,713,800	1,080,000	-	1,080,000
Leasehold improvements	5,442	1,491	3,951	5,442	794	4,648
Buildings	9,484,976	491,341	8,993,635	7,737,298	240,467	7,496,831
Storage containers	1,149,943	343,498	806,445	822,294	163,453	658,841
Vehicles	635,975	161,631	474,344	391,739	77,942	313,797
Fences and parking lots	192,590	18,021	174,569	109,389	9,534	99,855
Furniture and equipment	92,094	19,635	72,459	69,809	8,891	60,918
Computer equipment	27,278	14,107	13,171	23,607	7,573	16,034
	<u>13,302,098</u>	<u>1,049,724</u>	<u>12,252,374</u>	<u>10,239,578</u>	<u>508,654</u>	<u>9,730,924</u>
Storage containers under capital lease	95,911	43,879	52,032	95,911	28,774	67,137
Vehicles under capital lease	80,753	46,589	34,164	80,261	32,052	48,209
	<u>176,664</u>	<u>90,468</u>	<u>86,196</u>	<u>176,172</u>	<u>60,826</u>	<u>115,346</u>
	<u>13,478,762</u>	<u>1,140,192</u>	<u>12,338,570</u>	<u>10,415,750</u>	<u>569,480</u>	<u>9,846,270</u>

5. Intangible Assets

	September 30, 2010			December 31, 2009		
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Net</u>
Franchise agreements	20,000	2,500	17,500	20,000	-	20,000
Tenant relationships	486,000	486,000	-	486,000	383,333	102,667
	<u>506,000</u>	<u>488,500</u>	<u>17,500</u>	<u>506,000</u>	<u>383,333</u>	<u>122,667</u>

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

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*(unaudited)***6. Goodwill**

The continuity of goodwill is as follows:

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Opening balance	1,448,607	746,891
Additions, net	-	701,716
Goodwill impairment	-	-
Ending balance	<u>1,448,607</u>	<u>1,448,607</u>

7. Capital Lease Obligations

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Capital lease obligation bearing interest at 7.65%, repayable in monthly blended installments of \$478 plus taxes, due December 2011.	6,701	10,493
Capital lease obligation bearing interest at 7.85%, repayable in monthly blended installments of \$434 plus taxes, due April 2012.	7,731	11,067
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$447 plus taxes, due June 2012.	8,692	12,037
Capital lease obligation bearing interest at 8.65%, repayable in monthly blended installments of \$417 plus taxes, due August 2012.	8,727	11,802
The capital lease obligations noted above are secured by storage containers with a net book value of \$52,032 (December 31, 2009 - \$67,137)		
Capital lease obligation bearing interest at 8.50%, repayable in monthly blended installments of \$1,984 plus taxes, due November 2010. Secured by vehicles with a net book value of \$34,164 (December 31, 2009 - \$48,209)	4,973	21,904
	<u>36,824</u>	<u>67,303</u>
Less current portion	24,370	40,164
	<u>12,454</u>	<u>27,139</u>

StorageVault Canada Inc.

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(unaudited)

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

2010	10,291
2011	21,296
2012	7,748
2013	-
2014	<u>-</u>
	39,335
Less imputed interest	<u>(2,511)</u>
	36,824
Less current portion	<u>(24,370)</u>
	<u>12,454</u>

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

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8. Long Term Debt

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Commercial loan bearing interest at 7.85%, repayable in monthly blended installments of \$1,212, due November 2011	15,980	25,631
Commercial loan bearing interest at 7.95%, repayable in monthly blended installments of \$1,024, due January 2011	3,830	12,529
Commercial loan bearing interest at 7.10%, repayable in monthly blended installments of \$4,020, due May 2012	75,617	106,838
Commercial loan bearing interest at 6.15%, repayable in monthly blended installments of \$2,251, due November 2012	54,599	71,889
Convertible debenture, bearing interest at 9.5%, due May, 2014. Interest only payments are due quarterly. Debenture holders have the right to convert at any time into Common Shares of the Corporation at the conversion price of \$0.32 per common share.	320,000	320,000
Mortgage repayable in monthly blended installments of \$11,219, bearing interest at 5.72%, due August 2016. Secured by a first charge on the related land and property with a net book value of \$2,400,550 (December 31, 2009 - \$2,463,947) and a general assignment of rental revenue	1,649,439	1,679,757

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

For the Three and Nine Months ended September 30, 2010 and 2009

*(unaudited)***Note 8 - Continued**

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Mortgage repayable in monthly blended installments of \$32,600, bearing interest at 6.45%, due March, 2014. Secured by a first charge on the related land and property with a net book value of \$5,768,682 (December 31, 2009 - \$6,028,538) and a general assignment of rental revenue	3,498,750	3,621,712
Mortgage repayable in monthly blended installments of \$10,539, bearing interest at 5.80%, due July 2013. Secured by a first charge on the related land and property with a net book value of \$2,290,475 (December 31, 2009 - \$nil) and a general assignment of rental revenue	1,485,012	-
Deferred financing costs net of amortization of \$22,801 (December 31, 2009 - \$11,460)	(55,664)	(57,649)
	<u>7,047,563</u>	<u>5,780,707</u>
Less current portion	339,813	292,932
	<u>6,707,750</u>	<u>5,487,775</u>

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

2010 (balance of year)	85,166
2011	341,368
2012	318,282
2013	292,166
2014	630,847

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

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

The Corporation is in compliance with debt covenants that are applicable at September 30, 2010.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

9. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Debt Component	2,000,000	1,127,119
Stock Dividend June 15, 2010	12,500	7,044
Stock Dividend September 15, 2010	12,578	7,089
Balance, September 30, 2010	<u>2,025,078</u>	<u>1,141,252</u>

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

The preferred shares pay a fixed-rate cumulative dividend of 5% per year payable as follows: i) 2.5% in cash payable quarterly, in arrears, from each respective drawdown date, calculated for the immediately preceding period, and; ii) 2.5% in preferred shares, credited quarterly, in arrears from each respective drawdown date, calculated for the immediately preceding period.

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

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

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

Note 9 – continued

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

The preferred shares have a liability component because of the retraction feature and an equity component because of the conversion feature. The residual value method was used to value the liability component of the preferred shares. The fair value of the equity component was calculated using the Black-Scholes option pricing model with the following assumptions: expected life – 3 years; risk free rate – 2.46%; expected volatility – 148% and exercise price - \$0.30.

10. Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in series

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, May 31, 2007 (inception)	-	-
Seed capital shares	5,000,000	500,000
Issued for cash pursuant to initial public offering	5,000,000	1,000,000
Share issuance costs	-	(167,034)
Balance, December 31, 2007	<u>10,000,000</u>	<u>1,332,966</u>
Private placement	18,391,304	4,230,000
Broker compensation - private placement	678,696	156,100
Shares issued for property acquired	2,466,798	567,364
Share issuance costs	-	(266,907)
Balance, December 31, 2008	<u>31,536,798</u>	<u>6,019,523</u>
Shares issued for property acquired	2,173,913	500,000
Share issuance costs	-	(6,337)
Balance, December 31, 2009 and September 30, 2010	<u><u>33,710,711</u></u>	<u><u>6,513,186</u></u>

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

Note 10 – continued

The seed capital shares were issued for cash and are subject to a CPC Escrow agreement. Under the agreement, 10% of the escrowed shares were released from escrow on the completion of the Qualifying Transaction and an additional 15% will be released in increments of 15% every six months thereafter. As at September 30, 2010, 3,500,000 (September 30, 2009 – 2,000,000) seed capital shares were released from escrow, and 1,500,000 (September 30, 2009 – 3,000,000) remain subject to the Escrow agreement.

Preferred shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2009	-	-
Issued for cash - Series I - Equity component	2,000,000	872,881
Share issuance costs	-	(20,100)
Balance, March 31, 2010	<u>2,000,000</u>	<u>852,781</u>
Dividend-shares credited to account	12,500	5,456
Share issuance costs	-	(16,051)
Balance, June 30, 2010	<u>2,012,500</u>	<u>842,186</u>
Dividend-shares credited to account	12,578	5,489
Balance, September 30, 2010	<u><u>2,025,078</u></u>	<u><u>847,675</u></u>

Contributed surplus:

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Opening balance	470,208	126,250
Stock based compensation	-	343,958
Exercise of retained options	-	-
Ending balance	<u><u>470,208</u></u>	<u><u>470,208</u></u>

Stock Options and Warrants

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

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

For the Three and Nine Months ended September 30, 2010 and 2009

*(unaudited)***Note 10 – continued**

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

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

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

	<u>September 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Opening	3,878,696	\$0.22	2,078,696	\$0.21
Granted	-	-	2,200,000	\$0.23
Exercised	-	-	-	-
Expired	-	-	(400,000)	\$0.20
Forfeited	-	-	-	-
Closing and Exercisable	<u>3,878,696</u>	<u>\$0.22</u>	<u>3,878,696</u>	<u>\$0.22</u>

Stock options and warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding September 30, 2010	Outstanding December 31, 2009
\$0.20	Nov 5, 2012	1,000,000	1,000,000
\$0.23	Oct 31, 2010	678,696	678,696
\$0.23	May 6, 2014	2,200,000	2,200,000

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

11. Income Taxes

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

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

12. Financial Risk Management and Fair Value

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

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

The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. As at September 30, 2010 the fair value of long term debt is \$7,581,000 (December 31, 2009 - \$6,222,500).

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

Note 12 – 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 is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. The Corporation is exposed to interest rate risk primarily relating to its long-term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on a majority of its mortgages, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.
- b) Credit risk - Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their financial commitments to the Corporation. Credit risk in storage facilities is mitigated by restricting access by, and ultimately, seizing the property of tenants who are delinquent in payment. Risk is also mitigated as no individual tenant accounts for greater than 5% of the Corporation's overall property income.
- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities.
- 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 Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

13. Related Party Transactions

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

During the three and nine months ended September 30, 2010, the Corporation paid management fees of \$25,000 and \$86,837, respectively, (September 30, 2009 - \$16,333 and \$76,083, respectively) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to a management agreement, Detteson is entitled to an annual advisory fee of 0.225% per annum, paid monthly, of the gross book value of the assets of the Corporation, subject to a monthly minimum of \$8,333. Detteson is also entitled to receive 0.5% of the cost of any property acquired or sold by the Corporation on the closing date of the purchase or sale.

During the three and nine months ended September 30, 2010, the Corporation reimbursed travel and related expenses of \$1,235 and \$29,646, respectively (September 30, 2009 - \$38,221 and \$78,989, respectively) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the three and nine months ended September 30, 2010, the Corporation paid loan guarantee fees of \$2,100 and \$6,300, respectively (September 30, 2009 - \$2,148 and \$6,444, respectively) to Alan A. Simpson and loan guarantee fees of \$2,100 and \$6,300, respectively (September 30, 2009 - \$2,148 and \$6,444, respectively) to Glenn E. Fradette, both of whom are directors and officers of the Corporation. As a condition of the assumption of the mortgage on T. C. Mini Storage Ltd., both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees, and are paid on a monthly basis at the rate of 0.5% of the outstanding mortgage principal, per person.

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of PUPS portable storage franchises throughout Canada. CPFI is a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who are directors and officers of the Corporation. Pursuant to the Master Franchise Agreement, the Corporation is obligated to develop 20 franchises by December 1, 2012 or pay a one time non-development fee of \$15,000 for each undeveloped franchise. The Corporation also pays a continuing monthly royalty of 3.5% of the gross sales in relation to the Franchise Rights and PUPS and purchases storage containers and certain PUPS related equipment from CPFI. During the three and nine months ended September 30, 2010, the Corporation paid \$10,111 and \$22,717, respectively (September 30, 2009 - \$5,763 and \$13,239, respectively) for royalties and \$322,919 and \$701,090, respectively (September 30, 2009 - \$386,381 and \$659,785, respectively) for storage containers and other equipment under the Master Franchise Agreement.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

Note 13 – continued

During the three and nine months ended September 30, 2010, the Corporation paid fees for maintenance of shareholder records of \$1,927 and \$8,911, respectively (September 30, 2009 - \$1,063 and \$8,155, respectively) to a Transfer and Trust company of which one director and executive officer is also a director of the Corporation.

During the year ended December 31, 2009, the Corporation issued convertible, unsecured debentures in the amount of \$210,000 to officers, directors and spouses of directors of the Corporation. During the three and nine months ended September 30, 2010, interest paid on the debentures to officers, directors and spouses of directors of the Corporation was \$4,988 and \$14,963, respectively (September 30, 2009 - \$4,988 and \$4,988, respectively). See note 9 – Long Term Debt regarding the total debentures issued.

Included in accounts payable, relating to the previously noted transactions, at September 30, 2010 was \$49,906 (December 31, 2009 - \$66,156) payable to CPFI.

14. Capital Risk Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation defines capital as shareholders' equity excluding contributed surplus, and long term debt, if any. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets, and adjust the amount of cash and short term investments. The Board of Directors does not establish a quantitative return on capital criteria, but rather promotes year over year sustainable growth.

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 September 30, 2010 is 44.3% (December, 2009 – 46.2%).

Except for the debt covenants described in Note 9, the Corporation is not subject to any externally imposed capital requirements.

StorageVault Canada Inc.

Notes to the Financial Statements

For the Three and Nine Months ended September 30, 2010 and 2009

(unaudited)

15. Segmented Information

The Corporation's owns income producing properties in Canada. The Corporation does not distinguish or group its operations on a geographic basis, and accordingly, has a single reportable segment for disclosure purposes. None of the Corporation's tenants individually account for revenues in excess of 10% of the Corporation's total revenues for the three months ended September 30, 2010.

16. Subsequent Events

On November 1, 2010 the Corporation completed an Acquisition Agreement of Purchase and Sale to acquire from an arm's length vendor the assets and operations of Parksville Mini Storage (Parksville), a self-storage facility located in in the Parksville/Nanaimo region of British Columbia. The aggregate purchase price is \$2,800,000. The purchase price was composed of cash deposits totaling \$280,000, a credit from Parksville of \$20,000 for due diligence expenses of the Corporation, a vendor take back mortgage of \$1,400,000, and a final cash payment of \$1,100,000. Additional cash disbursements of \$57,364 were made for standard customary closing adjustments and property transfer taxes. On November 19, 2010 the acquisition received Final Acceptance of the TSX Venture Exchange.

Parksville is located at 1020 Herring Gull Way in Parksville, BC. It is approximately 3 acres, with 13 storage buildings comprising a total of 27,900 rentable square feet. Approximately 1.5 acres of the property is undeveloped. It is the Corporation's intention to re-deploy a portion of the property at this site toward a portable storage operation.

On March 17, 2010 two investment funds managed by PFM Capital Inc. of Regina, SK committed to make a \$4,000,000 preferred share investment in the Corporation. The preferred share financing was to be drawn down by the Corporation in two tranches of \$2-million each. The first tranche was drawn down on the closing date of March 17, 2010. On October 18, 2010, the Corporation drew down the second tranche of the financing, to be used in part to fund the acquisition of Parksville as noted above.

StorageVault Canada Inc.

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TSX VENTURE EXCHANGE LISTING

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