

StorageVault Canada Inc.

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(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 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 Chartered Professional Accountants of Canada 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	December 31
	2021	2020
Assets		
Real estate and equipment, net (Note 5)	\$ 1,468,010,560	\$ 1,439,920,819
Goodwill and intangible assets, net (Note 6)	113,926,738	113,925,773
Cash and short term deposits	20,294,717	25,527,533
Prepaid expenses and other current assets	4,691,426	3,446,585
Accounts receivable	3,875,557	4,559,229
	\$ 1,610,798,998	\$ 1,587,379,939
Liabilities and Shareholders' Equity		
Debt (Note 7)	\$ 1,205,755,529	\$ 1,179,739,132
Hybrid debentures (Note 8)	71,925,078	71,765,725
Deferred tax liability	51,012,667	53,200,017
Lease liability (Note 14)	45,190,966	44,035,050
Accounts payable and accrued liabilities	19,182,514	18,635,766
Unearned revenue	10,212,607	9,829,082
	1,403,279,361	1,377,204,772
Shareholders' Equity		
Share capital (Note 9)	375,455,106	365,886,912
Dividends paid (Note 9)	(17,442,223)	(16,439,355)
Contributed surplus (Note 9)	15,309,599	15,130,383
Deficit	(165,802,845)	(154,402,773)
	207,519,637	210,175,167
	\$ 1,610,798,998	\$ 1,587,379,939

Commitments and Contingencies (Note 14)
Subsequent Events (Note 15)

Approved on behalf of the Board:

"signed" Steven Scott
Director

"signed" Iqbal Khan
Director

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

	2021	2020
Share Capital		
Balance, beginning of the period	\$ 365,886,912	\$ 355,585,663
Common shares issued, net of issuance costs (Note 9)	11,200,393	430,363
Common shares repurchased (Note 9)	(1,632,199)	(2,255,417)
Balance, end of the period	375,455,106	353,760,609
Dividends Paid		
Balance, beginning of the period	(16,439,355)	(12,529,361)
Dividends paid during the period (Note 9)	(1,002,868)	(966,317)
Balance, end of the period	(17,442,223)	(13,495,678)
Contributed Surplus		
Balance, beginning of the period	15,130,383	8,812,227
Stock based compensation (Note 9)	179,216	-
Balance, end of the period	15,309,599	8,812,227
Deficit		
Balance, beginning of the period	(154,402,773)	(121,120,551)
Net income (loss) and comprehensive income (loss)	(11,400,072)	(8,366,386)
Balance, end of the period	\$ (165,802,845)	\$ (129,486,937)

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

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

	2021	2020
Revenue		
Storage and related services	\$ 42,770,133	\$ 35,395,037
Management fees	489,962	439,317
	43,260,095	35,834,354
Expenses		
Operating costs	15,900,647	12,780,596
Acquisition and integration costs	1,379,499	895,383
Selling, general and administrative	3,621,581	3,122,383
Stock based compensation (Note 9)	179,216	-
Depreciation and amortization (Notes 5, 6)	22,074,712	20,140,677
Interest	13,691,862	11,124,361
	56,847,517	48,063,400
Net income (loss) and comprehensive income (loss) before tax	(13,587,422)	(12,229,046)
Deferred tax recovery	2,187,350	3,862,660
	\$ (11,400,072)	\$ (8,366,386)
Net income (loss) per common share		
Basic	\$ (0.031)	\$ (0.023)
Diluted	\$ (0.031)	\$ (0.023)
Weighted average number of common shares outstanding		
Basic	366,658,509	362,750,090
Diluted	366,658,509	362,750,090

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

	2021	2020
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss) and comprehensive income (loss) after tax	\$ (11,400,072)	\$ (8,366,386)
Adjustment for non-cash items:		
Deferred tax recovery	(2,187,350)	(3,862,660)
Depreciation, amortization (Notes 5, 6)	22,074,712	20,140,677
Amortization of deferred financing costs	439,618	233,775
Accretion of lease liabilities (Note 14)	470,775	-
Stock based compensation (Note 9)	179,216	-
Gain on disposal of real estate and equipment (Note 5)	(780)	-
Cash flow from operations before non-cash working capital balances	9,576,119	8,145,406
Net change in non-cash working capital balances		
Accounts receivable	(169,728)	(3,203,979)
Prepaid expenses and other current assets	(1,244,841)	(411,559)
Accounts payable and accrued liabilities	546,749	2,565,385
Unearned revenue	383,525	(297,616)
	9,091,824	6,797,637
Financing activities		
Common shares issued, net of issuance costs (Note 9)	-	33,650
Dividends paid (Note 9)	(616,044)	(565,823)
Payments of lease obligation (Note 14)	(818,713)	(120,827)
Debt issuance costs	(213,454)	84,973
Cash advances from long term debt (Note 7)	47,750,000	12,500,000
Cash repayment of long term debt (Note 7)	(20,945,856)	(21,792,191)
Repurchase of common shares (Note 9)	(1,632,199)	(2,255,417)
	23,523,734	(12,115,635)
Investing activities		
Cash additions to real estate and equipment (Note 5)	(4,573,374)	(4,810,607)
Cash paid in business combinations (Note 4)	(33,275,000)	-
	(37,848,374)	(4,810,607)
Decrease in cash and short term deposits	(5,232,816)	(10,128,605)
Cash and short term deposits balance, beginning of period	25,527,533	24,460,186
Cash and short term deposits balance, end of period	\$ 20,294,717	\$ 14,331,581

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, 2021 and 2020
(Unaudited)

1. Description of Business

The interim consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Corporation") as at and for the three months ended March 31, 2021, were authorized for issuance by the Board of Directors of the Corporation on May 5, 2021. 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, managing and renting self storage and portable storage space to individual and commercial customers. The Corporation also stores, shreds, and manages documents and records for customers.

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 January 1, 2021. 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, 2020. The accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the most recent annual report.

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

3. Accounting Policies

Basis of Consolidation

The interim consolidated financial statements include the accounts of StorageVault Canada Inc. and its wholly owned subsidiary Spyhill Ltd., both of which are headquartered in Toronto, Ontario. On January 1, 2020, the Corporation completed a vertical amalgamation with its wholly owned subsidiary, Sentinel Self-Storage Corporation. Additionally, on January 1, 2021, the Corporation completed a vertical amalgamation with its wholly owned subsidiary, Spyhill Ltd. to form StorageVault Canada Inc. The financial statements for the consolidated entities 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.

Revenue Recognition

Revenue from the rendering of services and sale of goods are recognized at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes.

The Corporation's revenue comprises the renting of storage units to customers, information and records management, managing storage facilities on behalf of third parties and sale of merchandise, including locks, boxes, packing supplies and equipment.

Note 3 – Continued

Revenue earned from the renting of storage units is accounted for under IFRS 16 – Leases. 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.

The Corporation earns a management fee based on a percentage of gross revenues of the operations for managing storage facilities for third parties. Revenue is recognized over time when the services are rendered.

Revenue for other storage related services is recognized in the month the respective services are provided. Receipts of fees for other storage related services for future periods are deferred and recognized as revenue when each respective monthly period commences. A provision is made for expected allowances as necessary.

Revenue from the sale of merchandise, including locks, boxes, packing supplies and equipment, is recognized at the point in time when the merchandise is delivered to the customer.

Business Combinations

All business combinations are accounted for by applying the acquisition method. Upon 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 cash flows generated by the assets acquired and the selection of an appropriate discount rate. 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 and 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 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.

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.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(Unaudited)

Note 3 – Continued

Cash and Short Term Deposits

Cash and short term deposits on the 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 three months or less. For the purpose of the 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.

Real Estate and Equipment

Real estate 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.

Depreciation is calculated using the declining balance method to depreciate the cost of real estate 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 real estate 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 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.

Note 3 – Continued

Finite life 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: Tenant Relationships - 22 to 180 months, Website – 3 years, Trademarks – 10 years.

Indefinite life intangible assets, consisting of management contracts, are carried at cost and are not amortized. The useful life of indefinite life intangible assets are reviewed at each Interim Consolidated Statements of Financial Position date.

Goodwill and indefinite life intangibles are reviewed for impairment annually by assessing the recoverable amount of each CGU to which it 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). Any impairment recognized on goodwill is not subsequently reversed.

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 taxable 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 the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. On the exercise of options, the cash consideration received and the fair value of the option previously credited to contributed surplus are credited to share capital.

Note 3 – Continued

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.

When 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, 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 issuance 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.

Financial Instruments

- a) Financial assets - Pursuant to IFRS 9, the classification of financial assets is based on the Corporation's assessment of its business model for holding financial assets. The classification categories are as follows:
- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Corporation classifies the following financial assets as measured at amortized cost: cash and short term deposits and accounts receivable.

Note 3 – Continued

- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Corporation has no financial assets classified in this category.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income. The Corporation has no financial assets classified in this category.

Financial assets measured at amortized cost are measured at cost using the effective interest method. When assessing impairment of financial assets measured at amortized cost, the Corporation applied the simplified approach and has calculated expected credit losses based on lifetime expected credit losses. Under the simplified method the Corporation uses a provision matrix to calculate expected credit losses for accounts receivable which is based on the Corporation's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). When a trade receivable is uncollectible, it is written off against the allowance for expected credit losses.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

b) Financial liabilities - The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The Corporation classifies the following financial liabilities as measured at amortized cost: certain debt facilities and accounts payable and accrued liabilities.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The Corporation classifies the following financial liabilities as measured at fair value: certain debt facilities and interest rate swaps.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Hybrid Debentures

When a contract contains an embedded derivative, the economic and risk characteristics of both the embedded derivative and host contract are analyzed to understand whether or not they are closely related and to decide whether the embedded derivative should be accounted for separately from the host contract.

The embedded features in the financial instrument issued by the Corporation are identified at inception. Each feature is evaluated separately and classified either as part of the host liability, as a separate embedded liability or as an equity instrument in accordance with the substance of the contractual arrangement.

Note 3 – Continued

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:

- Real estate and equipment - The Corporation determines the carrying value of its real estate 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 CGU 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 the disposal 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 to which the Corporation is not yet committed or significant future investments that will enhance the asset's performance in the CGU 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 a business combination. 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.
- 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's judgment. Management has identified each location as a separate CGU. 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's 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 determinations may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
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Note 3 – Continued

- Management has applied judgment in assessing that the management contracts acquired have an indefinite useful life because the Corporation purchased a complete system to operationally manage its own business and that of other self storage businesses. The Corporation has acquired substantial know-how and expertise in managing stores owned by third parties, including long term relationships, of which the Corporation will have the benefit for an indefinite period of time. The management contracts have therefore been deemed to have an indefinite useful life.

4. Acquisitions

During the three months ended March 31, 2021, 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 interim consolidated financial statements of the Corporation since the dates of acquisition. Details of the acquisitions are:

First Quarter Acquisitions:

During the first quarter, the Corporation completed the acquisition of eight self storage locations for \$44,100,000 (subject to customary adjustments). These acquisitions consisted of both arm's length and non - arm's length transactions. The purchases were paid for by advances from debt, issuance of common shares, and cash on hand.

A summary of the acquisitions are as follows:

	Two Self Storage Locations	One Self Storage Location	Four Self Storage Locations	One Self Storage Location	Total
Acquisition date:	March 10, 2021	March 15, 2021	March 19, 2021	March 31, 2021	
Land, Yards, Buildings & Improvements	\$ 9,731,176	\$ 5,921,525	\$ 21,434,527	\$ 2,004,297	\$ 39,091,525
Tenant Relationships	1,518,824	778,475	2,315,473	395,703	5,008,475
Net assets acquired	<u>11,250,000</u>	<u>6,700,000</u>	<u>23,750,000</u>	<u>2,400,000</u>	<u>44,100,000</u>

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

Issuance of common shares	1,125,000	1,700,000	8,000,000	-	10,825,000
Cash	4,125,000	5,000,000	-	900,000	10,025,000
Debt	6,000,000	-	15,750,000	1,500,000	23,250,000
	<u>11,250,000</u>	<u>6,700,000</u>	<u>23,750,000</u>	<u>2,400,000</u>	<u>44,100,000</u>

Selected information for the acquisitions, since their acquisition dates:

Revenue	50,452	30,731	49,123	2,240	132,546
Operating costs	<u>23,166</u>	<u>9,371</u>	<u>22,276</u>	<u>1,592</u>	<u>56,405</u>
	27,286	21,360	26,847	648	76,141
Amortization	83,046	47,438	-	-	130,484
Interest	10,600	-	19,888	-	30,488
Net income (loss)	<u>\$ (66,360)</u>	<u>\$ (26,078)</u>	<u>\$ 6,959</u>	<u>\$ 648</u>	<u>\$ (84,831)</u>

StorageVault Canada Inc.
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(Unaudited)

5. Real Estate and Equipment

	Land, Yards, Buildings & Improvements	Storage Containers	Intangible Tenant Relationships	Vehicles	Office & Computer Equipment	Total
COST						
December 31, 2019	\$ 1,289,863,841	\$ 18,756,734	\$ 132,086,216	\$ 4,961,588	\$ 3,936,868	\$ 1,449,605,247
Additions	44,086,450	9,260	-	754,346	2,065,964	46,916,020
Disposals	(66,205)	-	-	-	(19,065)	(85,270)
Business acquisitions	215,180,660	-	14,264,340	-	-	229,445,000
December 31, 2020	1,549,064,746	18,765,994	146,350,556	5,715,934	5,983,767	1,725,880,997
Additions	5,243,095	-	-	195,794	630,869	6,069,758
Disposals	(6,420)	-	-	-	(6,170)	(12,590)
Business acquisitions	39,091,525	-	5,008,475	-	-	44,100,000
March 31, 2021	\$ 1,593,392,946	\$ 18,765,994	\$ 151,359,031	\$ 5,911,728	\$ 6,608,466	\$ 1,776,038,165

ACCUMULATED DEPRECIATION

December 31, 2019	\$ 118,013,224	\$ 6,691,649	\$ 73,287,411	\$ 3,811,403	\$ 1,613,809	\$ 203,417,496
Depreciation	53,055,758	1,184,273	27,036,038	401,605	880,752	82,558,426
Disposals	(12,937)	-	-	-	(2,807)	(15,744)
December 31, 2020	171,056,045	7,875,922	100,323,449	4,213,008	2,491,754	285,960,178
Depreciation	14,806,101	266,529	6,654,714	114,012	226,851	22,068,207
Disposals	(86)	-	-	-	(694)	(780)
March 31, 2021	\$ 185,862,060	\$ 8,142,451	\$ 106,978,163	\$ 4,327,020	\$ 2,717,911	\$ 308,027,605

NET BOOK VALUE

December 31, 2020	1,378,008,701	10,890,072	46,027,107	1,502,926	3,492,013	1,439,920,819
March 31, 2021	1,407,530,886	10,623,543	44,380,868	1,584,708	3,890,555	1,468,010,560

Included in Land, Yards, Buildings & Improvements is Land at a value of \$502,674,174 (December 31, 2020 - \$493,879,256).

Included in Land, Yards, Buildings & Improvements is \$32,851,217 (December 31, 2020 - \$29,840,095) of construction in process that is not being depreciated.

Included in Land, Yards, Buildings & Improvements are right-of-use assets at a value of \$42,564,949 (December 31, 2020 - \$41,641,031), net of accumulated depreciation of \$3,137,160 (December 31, 2020 - \$2,557,224). The continuity of the right-of-use assets is as follows:

Self Storage Properties

Balance, January 1, 2020	\$ 23,772,865
Additions	19,515,019
Depreciation charge for the year	(1,646,853)
Balance, December 31, 2020	\$ 41,641,031
Additions	1,503,854
Depreciation charge for the year	(579,936)
Balance, March 31, 2021	\$ 42,564,949

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6. Goodwill and Intangible Assets

	<u>Goodwill</u>	Management <u>Contracts</u>	<u>Trademarks</u>	<u>Website</u>	<u>Total</u>
COST					
December 31, 2019	\$ 97,527,924	\$ 16,300,000	\$ -	\$ -	\$ 113,827,924
Business acquisitions	-	-	31,478	66,371	97,849
December 31, 2020	97,527,924	16,300,000	31,478	66,371	113,925,773
Additions	-	-	7,470	-	7,470
March 31, 2021	\$ 97,527,924	\$ 16,300,000	\$ 38,948	\$ 66,371	\$ 113,933,243
ACCUMULATED AMORTIZATION					
December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-
December 31, 2020	-	-	-	-	-
Amortization	-	-	974	5,531	6,505
March 31, 2021	\$ -	\$ -	\$ 974	\$ 5,531	\$ 6,505
NET BOOK VALUE					
December 31, 2020	97,527,924	16,300,000	31,478	66,371	113,925,773
March 31, 2021	97,527,924	16,300,000	37,974	60,840	113,926,738

At December 31, 2020, the Corporation performed its annual impairment test on goodwill and its indefinite life intangible assets. Goodwill is allocated to the group of CGU's that benefited from the synergies of the business combination on which the goodwill arose. The Corporation used the fair value less costs of disposal method to determine the recoverable amount of the CGU's. Based on the impairment test performed, the Corporation concluded that no impairment exists on its goodwill and indefinite life intangible assets.

Information regarding each impairment test is as follows:

Manitoba and Saskatchewan group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 2% which is consistent with management's knowledge of the local market and is lower than the CGU's recent historical growth rate.
- Cash flows were discounted at a pre-tax rate of 5.98% based on management's judgement in this geographic region.

Kamloops, BC group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 4%. The Corporation has seven stores in the region and is able to distribute costs and operate more efficiently.
- Cash flows were discounted at a pre-tax rate of 6.78% based on management's experience in this geographic region and the fact that the properties are on leased land.

London, ON group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the property, with a net operating income growth rate of 2% which is consistent with management's knowledge of the local market.

Note 6 – Continued

- Cash flows were discounted at a pre-tax rate of 5.98% based on management's experience in this geographic region.

Sentinel Self-Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 3.75%. Given the location of the stores in this portfolio, over 20 stores in major markets and highly desirable locations in Canada, management believes that this growth rate is sustainable, and is consistent with the CGU's historical growth rate.
- Cash flows were discounted at a pre-tax rate of 4.75% based on management's experience and the superior quality and location of these properties.

Portable Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of storage containers, with a net operating income growth rate of 7% based on management's experience and the exclusive marketing channels the Corporation has for this product type.
- Cash flows were discounted at a pre-tax rate of 6.64% based on management's experience in these markets.

Real Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a net operating income growth rate of 5% during the first three years and 4% thereafter.
- Given the location of the stores in this portfolio and with the Corporation already operating in many of the 27 markets in which these stores are located, management believes that this growth rate is sustainable.
- Cash flows were discounted at a pre-tax rate of 4.94% based on management's experience and location of these properties.

Management Division CGU

- The cash flow projection includes specific estimates for five years with a terminal growth rate of 4%, which management feels would be representative of the future indefinite cash flows from this asset.
- Cash flows were discounted at a pre-tax rate of 20% based on what management deemed appropriate for the nature of this type of revenue stream.

RecordXpress Division CGU

- The cash flow projection includes specific estimates for five years with a growth rate of 4%, which management feels would be representative of the future cash flows from these assets.
- Cash flows were discounted at a pre-tax rate of 6.9% based on management's experience in the records management business.

The most sensitive inputs to the value in use model used for these groups of CGU's are the growth rate and the discount rate:

- A 1% increase or decrease in the growth rate would not result in an impairment of these groups of CGU's.
- A 1% increase or decrease in the discount rate would not result in an impairment of these groups of CGU's.

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Note 6 – Continued

<u>Group of CGU's</u>	<u>Goodwill</u>	<u>Carrying Value</u>
Manitoba and Saskatchewan	\$ 2,621,716	\$ 25,027,398
Kamloops, BC	76,470	6,488,583
London, ON	142,807	2,051,728
Sentinel Self-Storage	52,442,159	385,512,531
Portable Storage	2,578,968	13,418,541
Real Storage	33,622,150	248,962,861
Management Division	3,364,706	19,364,705
RecordXpress Division	2,678,948	7,948,404
	<u>\$ 97,527,924</u>	<u>\$ 708,774,751</u>

7. Debt

	<u>March 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Rate Range</u>	<u>Weighted Average</u>	<u>Balance</u>	<u>Rate Range</u>	<u>Weighted Average</u>	<u>Balance</u>
<u>Mortgages</u>						
At amortized cost - Fixed/Variable	2.84% to 4.99%	4.12%	412,435,190	3.18% to 4.99%	4.19%	382,219,232
	<i>Maturity: Apr 2021 to Apr 2028</i>			<i>Maturity: Apr 2021 to Apr 2028</i>		
At FVTPL -Variable			411,064,140			394,261,163
- Interest rate swap			12,930,847			31,912,305
		3.93%	<u>423,994,987</u>		3.93%	<u>426,173,468</u>
		<i>Maturity: Jan 2024 to Dec 2030</i>			<i>Maturity: Jan 2024 to Dec 2030</i>	
		4.02%	<u>836,430,177</u>		4.05%	<u>808,392,700</u>
<u>Lines of Credit and Promissory Notes</u>						
At amortized cost - Variable		3.55%	62,180,323		3.54%	61,413,656
		<i>Maturity: Dec 2022 to May 2024</i>			<i>Maturity: Dec 2022 to May 2024</i>	
At amortized cost - Fixed		4.25%	10,887,290		4.25%	13,750,069
		<i>Maturity: Apr 2021 to Dec 2023</i>			<i>Maturity: Jan 2021 to Dec 2023</i>	
At FVTPL -Variable			298,115,849			280,244,148
- Interest rate swap			1,884,151			19,755,852
		3.97%	<u>300,000,000</u>		3.97%	<u>300,000,000</u>
		<i>Maturity: Apr 2022</i>			<i>Maturity: Apr 2022</i>	
		3.86%	<u>373,067,613</u>		3.84%	<u>375,163,725</u>
Deferred financing costs, net of accretion of \$5,311,371 (Dec 31, 2020 - \$4,871,753)			(3,742,261)			(3,817,293)
		3.97%	<u>1,205,755,529</u>		3.98%	<u>1,179,739,132</u>

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Note 7 – Continued

Reconciliation of Debt

The following table reconciles the changes in cash flows from financing activities for the Corporation's debt:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Debt, beginning of period	\$ 1,179,739,132	\$ 1,053,079,602
Advances from debt	47,750,000	264,041,758
Repayment of debt	(20,945,856)	(123,419,291)
Amounts offset against accounts receivable	(862,779)	(4,710,939)
Change in fair value of debt measured at FVTPL	(14,814,998)	(51,668,157)
Change in fair value of interest rate swaps	14,814,998	42,376,947
Total cash flow from debt financing activities	<u>25,941,365</u>	<u>126,620,318</u>
Change in deferred financing costs	75,032	39,212
Debt, end of period	<u>\$ 1,205,755,529</u>	<u>\$ 1,179,739,132</u>

The bank prime rate at March 31, 2021 was 2.45% (December 31, 2020 – 2.45%).

Mortgages are secured by a first mortgage charge on the real estate 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 debt service coverage ratios, a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of March 31, 2021, the Corporation is in compliance with all covenants.

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

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

Year 1	\$	497,651,952 (includes lines of credit of \$362.2 million)
Year 2	\$	158,165,809
Year 3	\$	160,554,751
Year 4	\$	23,140,684
Year 5	\$	36,746,762
Thereafter	\$	333,237,832

The Corporation entered into interest rate swap contracts in order to fix the interest rate on \$724 million of debt at a weighted average rate of 3.94%. The swaps mature between April 2022 and December 2030.

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8. Hybrid Debentures

On July 20, 2020, \$75 million of unsecured senior hybrid debentures were issued at a price of \$1,000 per debenture with a term of sixty-six months, due January 31, 2026. These debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing January 31, 2021. The intended use of the net proceeds of the debentures is to pay down the credit facility and fund anticipated capital expenditures.

On and after January 31, 2024 and prior to January 31, 2025, the debentures will be redeemable in whole or in part from time to time at the Corporation's option at a redemption price equal to 102.875% of the principal amount of the debentures redeemed plus accrued and unpaid interest, if any, up to but excluding the date set for redemption. On and after January 31, 2025 and prior to the maturity date, the debentures will be redeemable, in whole or in part, from time to time at the Corporation's option at par plus accrued and unpaid interest, if any, up to but excluding the date set for redemption.

On redemption or at maturity on January 31, 2026, the Corporation may elect to, in whole or part, convert the debentures into freely tradable common shares. In such event, payment will be satisfied by delivering for each \$1,000 due, that number of freely tradable shares obtained by dividing \$1,000 by 95% of the current market price on the date fixed for redemption or maturity, as the case may be. Any accrued and unpaid interest will be paid in cash.

The debentures were recorded as a financial instrument. The debentures were recorded at a fair value of \$75 million net of deferred financing costs of \$3.5 million. Each embedded feature was evaluated separately and it was determined that the economic and risk characteristics are closely related to the host contract and therefore were not accounted for as separate financial instruments.

The debentures are subsequently measured at amortized cost using the effective interest method over the life of the debenture. The balance of the hybrid debentures is:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Opening balance	\$ 71,765,725	\$ -
Additions during period	-	75,000,000
Issuance costs	-	(3,524,177)
Accretion during period	159,353	289,902
Ending balance	<u>\$ 71,925,078</u>	<u>\$ 71,765,725</u>

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9. Share Capital

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

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

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2019	362,805,055	\$ 355,585,663
Issued on acquisitions	3,419,287	11,845,000
Dividend reinvestment plan	481,306	1,518,011
Share option redemption	782,800	901,588
Share issuance costs	-	(25,121)
Common shares repurchased	(1,233,622)	(3,938,229)
Balance, December 31, 2020	<u>366,254,826</u>	<u>365,886,912</u>
Issued on acquisitions	2,755,456	10,825,000
Dividend reinvestment plan	102,170	375,408
Share issuance costs	-	(15)
Common shares repurchased	(411,015)	(1,632,199)
Balance, March 31, 2021	<u><u>368,701,437</u></u>	<u><u>\$ 375,455,106</u></u>

Dividend Reinvestment Plan

Represents common shares issued under the Corporation's 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 may be increased upon Board of Directors approval, acceptance of the increase by the Exchange, and upon public disclosure of the increase.

Contributed surplus:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Opening balance	\$ 15,130,383	\$ 8,812,227
Stock based compensation	179,216	6,318,156
Ending balance	<u><u>\$ 15,309,599</u></u>	<u><u>\$ 15,130,383</u></u>

Stock Options

The Board of Directors of the Corporation may from time to time, at 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

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Note 9 – Continued

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.

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

	March 31, 2021		December 31, 2020	
	Weighted Average		Weighted Average	
	Options	Exercise Price	Options	Exercise Price
Opening	23,639,650	\$2.47	18,442,450	\$1.92
Exercised/Expired	-	-	(802,800)	1.22
Granted	-	-	6,000,000	3.98
Closing and Exercisable	23,639,650	\$2.47	23,639,650	\$2.47

The fair value of options granted in 2020 was estimated on the date of the grant, as determined by using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	0.01%
Risk-Free Interest Rate	0.39%
Expected Life of Options	4 Years
Expected Volatility of the Corporation's Common Shares	30.90%

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	March 31, 2021	December 31, 2020
\$ 0.33	Jun. 19, 2014	Jun. 19, 2024	140,000	140,000
\$ 0.41	Apr. 28, 2015	Apr. 28, 2025	1,660,650	1,660,650
\$ 0.50	Sep. 14, 2015	Sep. 14, 2025	1,550,000	1,550,000
\$ 1.36	Dec. 21, 2016	Dec. 21, 2026	2,785,000	2,785,000
\$ 1.78	Mar. 16, 2017	Mar. 16, 2027	2,810,000	2,810,000
\$ 2.52	May 4, 2018	May 4, 2028	2,825,000	2,825,000
\$ 2.90	May 28, 2019	May 28, 2029	5,869,000	5,869,000
\$ 3.98	Dec. 15, 2020	Dec. 15, 2030	6,000,000	6,000,000
Options exercisable and outstanding			23,639,650	23,639,650

Equity Incentive Plan

Under the Corporation's Equity Incentive Plan passed on May 30, 2018 (the "Plan"), directors, employees and consultants are eligible to receive awards, in the form of Restricted Share Units ("RSU's"), Deferred Share Units ("DSU's") and Named Executive Officer Restricted Share Units ("Neo RSU's"), as and when granted by the Board, at its sole discretion. The maximum number of awards that may be issued under the Plan is 17,545,677. The maximum number of shares that may be reserved for issuance under the Plan, together with any of the

Note 9 – Continued

Corporation's other share-based compensation arrangements, may not exceed 10% of the issued shares of the Corporation.

The RSU's and DSU's that are granted vest in equal annual amounts over three years. The Neo RSU's vest three years after the date of grant. RSU's, DSU's and Neo RSU's are entitled to be credited with dividend equivalents in the form of additional RSU's, DSU's and Neo RSU's, respectively.

With certain exceptions, the Plan provides that (i) the maximum number of awards that may be granted to any one participant together with any other share-based compensation arrangements, in any 12 month period, may not exceed 5% of the issued shares, and, in the case of any consultant, may not exceed 2% of the issued shares; and (ii) the total value of all securities that may be issued to any non-employee director under all of the Corporation's security based compensation arrangements may not exceed \$150,000 per annum.

The Corporation entered into Total Return Swaps ("TRS") as economic hedges of the Corporation's DSUs and RSUs. Under the terms of the TRS, a bank has the right to purchase the Corporation's shares in the marketplace as a hedge against the returns in the TRS. At March 31, 2021, 1,533,556 TRS units were outstanding.

At March 31, 2021, 100% of the combined DSU and RSU exposures were economically hedged (December 31, 2020 - 100%). Hedge accounting is not applied for the DSU/RSU hedging program.

Under the Plan, 857,161 common shares at a value of \$3,282,260 have been issued as at March 31, 2021.

Dividends

A cash dividend of \$0.002720 per common share was declared on March 15, 2021 and payable to shareholders of record on March 31, 2021.

10. 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 due to the relatively short periods to maturity of these financial instruments. 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.

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.

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Note 10 – Continued

Level 3 – The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value instrument.

The fair value of financial liabilities was as follows:

	Fair Value Hierarchy	As at March 31, 2021		As at December 31, 2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:					
Debt - at amortized cost	Level 2	481,760,542	501,740,317	453,565,664	474,372,525
Debt - at FVTPL	Level 2	709,179,989	709,179,989	674,505,311	674,505,311
Interest rate swaps	Level 2	14,814,998	14,814,998	51,668,157	51,668,157

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, entering into interest rate swap contracts, 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 and lines of credit as interest expense is impacted by changes in the prime rate. The impact on the Interim Consolidated Statements of 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, 2021 would have been approximately \$204,334 (March 31, 2020 - \$349,863).

- 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.

The Corporation has approximately \$485,000 of receivables from related parties at March 31, 2021. Management believes there is low credit risk associated with these related party balances due to the nature of the relationships and the historical loss rates.

Note 10 – Continued

Change in the Corporation's allowance for expected credit losses is as follows:

Balance December 31, 2019	\$ 349,626
Charges or adjustments during the year	<u>63,865</u>
Balance December 31, 2020	413,491
Charges or adjustments during the year	<u>24,731</u>
Balance March 31, 2021	<u>\$ 438,222</u>

The creation and release of the allowance for expected credit losses has been included in operating costs in the 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. It is the Corporation's intention to renew any debt coming due in the next fiscal year. The maturities of long term financial liabilities are summarized in Note 7.
- 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 may expose the Corporation to civil lawsuits. 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.

11. Related Party Transactions

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 Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the three months ended March 31, 2021, the Corporation paid \$64,501 (March 31, 2020 - \$57,091) for royalties and \$nil (March 31, 2020 - \$nil) for storage containers and other equipment under the Master Franchise Agreement.

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Note 11 – Continued

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at March 31, 2021 was \$24,337 (December 31, 2020 - \$25,231) payable to CPFI.

The Corporation has management agreements with Access Self Storage Inc. and related companies (“Access Group”). These companies are related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation invoices the Access Group for management fees as well as additional services it provides as part of the management agreements. The Access Group will also invoice the Corporation for construction, maintenance and other services related to its day-to-day operations.

During the three months ended March 31, 2021, the Corporation received \$1,214,966 (March 31, 2020 – \$1,577,776) in payments and reimbursements related to the management agreements. During the three months ended March 31, 2021, the Corporation also incurred \$3,533,633 (March 31, 2020 - \$1,953,607) in expenditures related to construction, maintenance and other services related to its day-to-day operations.

Included in accounts payable and accrued liabilities as at March 31, 2021 was \$1,952,668 (December 31, 2020 - \$2,665,248) payable to the Access Group. Included in accounts receivable as at March 31, 2021 was \$485,273 (December 31, 2020 - \$349,185) receivable from the Access Group.

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, 2021</u>	<u>March 31, 2020</u>
Wages, management fees, bonuses and directors fees	\$ 145,753	\$ 154,991
Stock based compensation	75,902	-
	<u>\$ 221,655</u>	<u>\$ 154,991</u>

12. 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.

The Corporation reviews and assesses its capital structure on an ongoing basis. 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.

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13. Segmented Information

The Corporation operates three reportable business segments. Each segment is a component of the Corporation for which separate discrete financial information is available for evaluation by the chief decision makers of the Corporation.

- Self Storage – involves the customer leasing space at the Corporation’s property for short or long term storage. Self storage also includes customers utilizing space for inventory storage for last mile delivery, small commercial operations, and vehicles.
- Portable Storage – 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.
- Management Division – involves revenues generated from the management of stores owned by third parties.

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.

For the Three Months Ended March 31, 2021

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 41,006,233	\$ 1,763,900	\$ 489,962	\$ -	\$ 43,260,095
Operating expenses	14,590,671	1,309,976	-	-	15,900,647
Net operating income	26,415,562	453,924	489,962	-	27,359,448
Acquisition and integration	-	-	-	1,379,499	1,379,499
Selling, general & admin.	-	-	-	3,621,581	3,621,581
Interest expense	13,691,862	-	-	-	13,691,862
Stock based compensation	-	-	-	179,216	179,216
Depreciation & amortization	21,281,621	360,373	217,051	215,667	22,074,712
Deferred tax recovery	-	-	-	(2,187,350)	(2,187,350)
Net income (loss)	<u>\$ (8,557,921)</u>	<u>\$ 93,551</u>	<u>\$ 272,911</u>	<u>\$ (3,208,613)</u>	<u>\$ (11,400,072)</u>
Additions:					
Real estate and equipment	50,012,668	107,208	-	49,882	50,169,758

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Note 13 – Continued

For the Three Months Ended March 31, 2020

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 33,871,670	\$ 1,523,367	\$ 439,317	\$ -	\$ 35,834,354
Operating expenses	11,666,826	1,113,770	-	-	12,780,596
Net operating income	22,204,844	409,597	439,317	-	23,053,758
Acquisition and integration	-	-	-	895,383	895,383
Selling, general & admin.	-	-	-	3,122,383	3,122,383
Interest expense	11,124,361	-	-	-	11,124,361
Depreciation & amortization	19,542,732	403,383	23,105	171,457	20,140,677
Deferred tax recovery	-	-	-	(3,862,660)	(3,862,660)
Net income (loss)	<u>\$ (8,462,249)</u>	<u>\$ 6,214</u>	<u>\$ 416,212</u>	<u>\$ (326,563)</u>	<u>\$ (8,366,386)</u>
Additions:					
Real estate and equipment	3,984,901	4,369	-	821,337	4,810,607

Total Assets

	Self Storage	Portable Storage	Management Division	Corporate	Total
As at December 31, 2020	\$ 1,529,514,473	\$ 16,019,542	\$ 17,492,262	\$ 24,353,662	\$ 1,587,379,939
As at March 31, 2021	\$ 1,557,535,398	\$ 15,764,977	\$ 17,400,511	\$ 20,098,112	\$ 1,610,798,998

14. Commitments and Contingencies

Lease Liabilities

The Corporation leases buildings and land in Kamloops, BC, Montreal, QC, Sudbury, ON, Toronto, ON, Kitchener, ON and Winnipeg, MB. The leases expire between 2023 and 2054, with the leases expiring in 2023 and 2027 having up to 15 years and 20 years of renewals, respectively, which are expected to be exercised by the Corporation.

The lease liabilities are measured at the present value of the lease payments that are not paid at the balance sheet date. Lease payments are apportioned between interest expense and a reduction of the lease liability using the Corporation's incremental borrowing rate to achieve a constant rate of interest on the remaining balances of the liability.

For the three months ended March 31, 2021, the Corporation recognized \$470,775 (March 31, 2020 - \$280,073) in interest expense related to its lease liabilities.

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Note 14 – Continued

A reconciliation of the lease liabilities from the date of adoption of IFRS 16 to March 31, 2021 is as follows:

	<u>Self Storage Properties</u>
Balance, December 31, 2020	\$ 44,035,050
Additions	1,503,854
Cash Payments	(818,713)
Interest	470,775
Balance, March 31, 2021	<u>\$ 45,190,966</u>

Contingency

The Corporation has no legal contingency provisions at March 31, 2021 or December 31, 2020.

Letters of Credit

The Corporation has various letters of credit in the amount of \$91,758 which expire on September 6, 2021, with automatic extensions of a year from any future expiration date.

15. Subsequent Events

On April 13, 2021, the Corporation announced that it is expanding its e-commerce presence with the launch of FlexSpace Logistics - a last mile end to end technology platform connecting businesses across Canada to storage space, logistics and inventory management services.

On April 14, 2021, the Corporation announced that it has agreed to acquire two locations from two vendor groups for an aggregate purchase price of \$29,450,000.

On May 4, 2021, the Corporation completed the acquisition of one of the previously announced locations for \$27,750,000. The purchase price was paid by the issuance of \$4,000,000 of common shares, with the balance being paid for by the assumption of debt and cash on hand.

On May 5, 2021, the Corporation approved an increase to the quarterly dividend for Q2 2021 by 0.5% to \$0.002734 per common share.

16. COVID-19 Pandemic

Since the commencement of the pandemic and for the future benefit of the Corporation, we modified our operating platform to continue to meet the strong demand for our services. These changes included improving our virtual systems to offer a no-contact rental processes, installation of plexiglass partitions and limiting the number of customers in our offices to one at a time. Our teams are fully employed and clients are able to safely store and access their valuables. We continue to be extremely proud of our team for continuing to adapt to new processes and for being committed to providing exceptional client and community service.

To date in fiscal 2021, we continue to experience a significant increase in leads and rentals which has resulted in higher occupancies and rental rates across our portfolio. These positive trends resulted in the Corporation achieving strong same store revenue and NOI growth. While clients may be further impacted, including through unemployment, the Corporation has experienced no meaningful increases in accounts receivable.

Note 16 – Continued

Since the start of the COVID-19 pandemic, the Corporation continued to execute on our strategies to attract clients through search engine marketing, improving our online presence, virtual community connection programs and the development of a national platform and initiatives to fulfill last mile storage needs. These efforts have allowed us to attract clients who are leveraging our national footprint to offer a complete storage, inventory management and mobilization solution through our self and portable storage and records management infrastructures.

17. Comparative Figures

Certain comparative figures have been reclassified to comply with the current presentation.

StorageVault Canada Inc.

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Bedford, NY

Iqbal Khan
Toronto, ON

Steven Scott
Toronto, ON

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