



2015
ANNUAL REPORT
STORAGEVAULT

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LETTER TO SHAREHOLDERS

April 27, 2016

DEAR FELLOW SHAREHOLDERS,

It was an exciting year at StorageVault as we became Canada's fourth largest self storage and the second largest portable storage company. Strong growth and the implementation of new management and operational systems have positioned StorageVault to deliver strong operational results and shareholder value in 2016 and beyond. It is our goal to become the leading self storage and portable storage platform in Canada.



**OVER
1.5 MILLION
SQUARE FEET OF RENTABLE
SPACE IN 14,000 UNITS**



LETTER TO SHAREHOLDERS

A YEAR OF GROWTH

We increased share capital by \$59.4 million and acquired nineteen properties for \$146.2 million in fiscal 2015. The majority of our acquisitions were in British Columbia and Ontario which are considered the top two storage markets in Canada. The acquisitions increased our portfolio to twenty nine stores across the country. These stores, in addition to our portable storage units, total approximately 1.5 million square feet of rentable storage space in 14,000 rental units.



\$146.2
MILLION IN
ACQUISITIONS AND
ADDITIONS



SHARE CAPITAL
INCREASED BY
\$59.4 MILLION

LETTER TO SHAREHOLDERS

2015 RESULTS

Fiscal 2015 was a year of significant growth for StorageVault with \$146.2 million in acquisitions, \$111.8 million of which were closed in the last 4 months of the year. When reviewing our results, it is important to consider the timing of these acquisitions.

Revenue and net operating income grew by 113% and 135% respectively in 2015. We expect both to more than double in 2016 as we benefit from a full year of performance from the acquired assets and continue to streamline our operations. Our net loss increased from \$1.2 million in 2014 to \$4.6 million in 2015, a direct result of \$1.3 million in acquisition and integration costs and booking a full year worth, \$5.5 million, of depreciation on assets that were acquired in the latter part of the year. Our funds from operations increased by 330% to \$1.4 million. Annualizing the results from the acquisitions in 2015 would have resulted in a net operating income of \$13.6 million and funds from operations of \$6.5 million.



**REVENUE GROWTH OF
113% TO
\$11.1 MILLION**



**NOI GROWTH TO
\$5.8 MILLION
FROM \$2.5 MILLION IN
2014**

LETTER TO SHAREHOLDERS



**ACQUIRED 66,000
SQUARE FEET
SELF STORAGE ASSET IN
WINNIPEG, MB
IN MARCH 2016**

OUR STRATEGY

We are focused on owning and operating stores in the top markets in Canada. Our goal is to have multiple stores in each market, with complementary portable storage units, to take advantage of economies of scale. Our growth strategy is focused on acquisitions, organic growth, expansion of our existing stores and expansion of our portable storage business.

Acquisitions

The combination of our corporate platform, industry relationships and storage experience provide StorageVault with a unique advantage in the Canadian market place. This advantage allows us to identify accretive and strategic purchasing opportunities at attractive prices that provide synergies in operations, marketing and revenue maximization.

Organic Growth

Scale has become increasingly important in the storage business and our growth provides a significant advantage in revenue management and in negotiating better rates on our operational costs. Efficiency is also gained through cross promotion and marketing of the self storage and portable storage platforms due to a larger national footprint, offering different but complementary product choices at various price points to our customers. These efficiencies translate into improved margins and an increase in free cash flow.

LETTER TO SHAREHOLDERS



**OUR PORTABLE STORAGE
BUSINESS IS THE
SECOND
LARGEST
IN CANADA**

OUR STRATEGY ...CONT'D

Existing Store Expansion

There is over 500,000 square feet of development potential on the lands currently owned and operated by StorageVault. When the market conditions are suitable and high occupancies indicate pent up demand, we expect to expand a number of our existing locations.

Expansion of Our Portable Storage Business

Much like the self storage business 20 years ago, the portable storage business is on the rise and has significant growth potential. This belief is supported by Canada's largest pension plan purchase of the world's largest portable storage business for one of their long-term funds in February 2015. With a larger geographic and operating footprint achieved through our growth strategy, we believe the margins for this segment of our business will continue to grow.



LETTER TO SHAREHOLDERS



**EXPECTING
\$50 MILLION
IN ACQUISITIONS FOR
2016**



**IMPLEMENTATION OF
DIVIDEND POLICY**

LOOKING FORWARD

Following our breakthrough year, we are well positioned to take advantage of our momentum, scale and strong balance sheet to drive revenues, increase free cash flow and acquire more assets.

We expect significant growth in revenue and net operating income in 2016 as we streamline and integrate operations, increase rates through our revenue management systems and continue to reduce costs. Our strong balance sheet will allow us to lower our cost of capital and help raise additional equity to support our growth. While maintaining our disciplined acquisition philosophy, we expect to add approximately \$50 million of assets to our portfolio.

As of the date of this letter, we have already raised \$5.5 million in equity, closed or announced just under \$10 million of acquisitions and announced the implementation of a dividend policy, dividend reinvestment plan and normal course issuer bid.

With our commitment to excellence and your continued support, we are well positioned to building a strong and profitable company.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Scofield'.

Steven Scofield
Chief Executive Officer



Steven Scott
CEO

Iqbal Khan
CFO

OUR LEADERSHIP

BOARD OF DIRECTORS

ROB DUGUID
IQBAL KHAN
ALAN SIMPSON
STEVEN SCOTT
BLAIR TAMBLYN

StorageVault Canada Inc.

Consolidated Financial Statements

For the Years ended December 31, 2015 and 2014

To the Shareholders of StorageVault Canada Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors, acting through an Audit Committee composed primarily of directors who are neither management nor employees of the Corporation, is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Corporation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them. Their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 27, 2016

"signed" Steven Scott
Chief Executive Officer

"signed" Iqbal Khan
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of StorageVault Canada Inc.

We have audited the accompanying consolidated financial statements of StorageVault Canada Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of StorageVault Canada Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

April 27, 2016
Regina, Saskatchewan


Chartered Professional Accountants

StorageVault Canada Inc.
Consolidated Statements of Financial Position
As at December 31

	2015	2014
Assets		
Current		
Cash and short term deposits (Note 4)	\$ 2,381,390	\$ 454,468
Short term investments	1,384,253	106,710
Accounts receivable	560,828	181,185
Prepaid expenses and other current assets	270,590	324,088
	\$ 4,597,061	\$ 1,066,451
Long term investments	-	1,394,759
Property and equipment (Note 6)	165,284,002	24,535,168
Goodwill and intangible assets (Note 7)	1,605,414	1,607,814
	\$ 171,486,477	\$ 28,604,192
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 982,551	\$ 284,663
Unearned revenue	320,884	82,956
Current portion of long term debt (Note 8)	3,942,906	1,655,266
Preferred shares (Note 9)	-	4,470,205
	5,246,341	6,493,090
Long term debt (Note 8)	107,676,218	18,879,519
	112,922,559	25,372,609
Shareholders' Equity		
Share capital (Note 10)	66,867,412	7,421,324
Contributed surplus (Note 10)	1,034,865	573,408
Deficit	(9,338,359)	(4,763,149)
	58,563,918	3,231,583
	\$ 171,486,477	\$ 28,604,192
Commitments and Contingencies (Note 16)		
Subsequent Events (Note 17)		

Approved on behalf of the Board:

"signed" Steven Scott
Director

"signed" Iqbal Khan
Director

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

StorageVault Canada Inc.
Consolidated Statements of Changes in Equity
For the Years Ended December 31

	2015	2014
Common Share Capital		
Balance, beginning of the period	\$ 7,421,324	\$ 6,444,600
Common shares issued, net of issuance costs	59,446,088	976,724
Balance, end of the period	66,867,412	7,421,324
Contributed Surplus		
Balance, beginning of the period	\$ 573,408	\$ 470,208
Stock based compensation (Note 10)	461,457	103,200
Balance, end of the period	1,034,865	573,408
Deficit		
Balance, beginning of the period	\$ (4,763,149)	\$ (3,531,273)
Net loss	(4,575,210)	(1,231,876)
Balance, end of the period	(9,338,359)	(4,763,149)

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

StorageVault Canada Inc.

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

For the Years Ended December 31

	2015	2014
Revenue		
Storage and related services	\$ 11,140,587	\$ 5,236,220
Expenses		
Property operating costs	5,302,289	2,755,705
Acquisition and integration costs	1,266,635	-
Selling, general and administrative	1,052,121	900,105
Stock based compensation (Note 10)	461,457	103,200
Depreciation and amortization (Notes 6, 7)	5,485,940	1,544,908
Interest	2,147,355	1,164,178
	15,715,797	6,468,096
Net income (loss) and Comprehensive income (loss)	\$ (4,575,210)	\$ (1,231,876)
Net income (loss) per common share		
Basic	\$ (0.060)	\$ (0.034)
Diluted	\$ (0.060)	\$ (0.034)
Weighted average number of common shares outstanding		
Basic	75,781,610	36,177,629
Diluted	75,781,610	36,177,629

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

StorageVault Canada Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31

	2015	2014
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	\$ (4,575,210)	\$ (1,231,876)
Adjustment for non-cash items:		
Depreciation and amortization (Notes 6, 7)	5,485,940	1,544,908
Amortization of deferred financing costs	98,687	75,999
Amortization of bond premiums	11,216	12,863
Stock based compensation (Note 10)	461,457	103,200
Stock dividend classified as interest (Note 9)	90,892	110,030
Cash flow from operations before non-cash working capital balances	1,572,982	615,124
Net change in non-cash working capital balances		
Accounts receivable	(379,643)	(38,666)
Prepaid expenses and other current assets	53,498	(162,949)
Accounts payable and accrued liabilities	697,888	(87,031)
Unearned revenue	237,928	(13,803)
	2,182,653	312,675
Financing activities		
Common shares issued, net of issuance costs (Note 10)	16,489,709	976,724
Advances from long term debt	116,484,509	10,421,216
Repayment of long term debt	(24,747,897)	(7,445,235)
Debt issuance costs	(750,960)	(19,760)
	107,475,361	3,932,945
Investing activities		
Maturity of short term investments	106,000	102,000
Acquisition 1 (Note 5)	(14,994,619)	-
Acquisition 2 (Note 5)	(42,466,000)	-
Acquisition 3 (Note 5)	(14,840,099)	-
Acquisition 4 (Note 5)	(7,650,000)	-
Acquisition 5 and 6 (Note 5)	(19,925,000)	-
Acquisition 7 (Note 5)	(5,600,000)	-
Additions to property and equipment (Note 6)	(2,382,149)	(4,159,005)
Additions to intangible assets (Note 7)	-	(1,339)
Proceeds on disposal of property and equipment	20,775	49,250
	(107,731,092)	(4,009,094)
Increase in cash and short term deposits	1,926,922	236,526
Cash and short term deposits balance, beginning of period	454,468	217,942
Cash and short term deposits balance, end of period	2,381,390	454,468

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

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

1. Description of Business

The consolidated financial statements of StorageVault Canada Inc. and its subsidiary (the "Corporation") as at and for the year ended December 31, 2015 were authorized for issuance by the Board of Directors of the Corporation on April 27, 2016. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange ("Exchange"). The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

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

2. Basis of Presentation

These 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") in effect at January 1, 2015.

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

3. Accounting policies

Basis of Consolidation

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

Consolidated Entity

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

Note 3 – Continued

Revenue Recognition

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

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

Revenue from the sale of merchandise, including locks, boxes, packing supplies and equipment, is recognized when the merchandise is delivered to the customer. Revenue from investments is recognized when earned.

Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity at the date of acquisition. If the cost of acquisition is less than the fair value of the Corporation's share of the net assets/net liabilities of the acquired entity (i.e. a discount on acquisition) the difference is credited to the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the period of acquisition. At the acquisition date, goodwill acquired is recognized as an asset and is allocated to each cash-generating unit ("CGU") expected to benefit from the business combination's synergies and to the lowest level at which management monitors the goodwill.

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

Note 3 – Continued

acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

Significant Accounting Estimates and Judgments

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

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

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

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

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.

StorageVault Canada Inc.**Notes to the Consolidated Financial Statements**For the Years Ended December 31, 2015 and 2014

Note 3 – Continued

- The determination of which entities require consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of a subsidiary or other entity requiring consolidation.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a Business Combination. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.

Cash and Short Term Deposits

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

Short Term Investments and Long Term Investments

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

Property and Equipment

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

Land, Yards, Buildings & Improvements -	Buildings	4%
	Leasehold improvements	20%
	Business operating equipment	10%
	Fences and parking lots	8%
Storage Containers –	Storage containers	10%
Vehicles -	Vehicles	30% to 40%
	Truck decks and cranes	20%
Office and Computer Equipment -	Furniture and equipment	20%
	Computer equipment	45%

Note 3 – Continued

On April 28, 2015, the Corporation changed the estimated declining balance rate at which storage containers are depreciated from 30% to 10%. This change in estimate is recognized prospectively. The change reduced depreciation expense by \$476,969 for the year. The effect of the change in future periods cannot be determined given the nature of the assets involved.

The residual value and useful lives of property and equipment are reviewed, and adjusted if appropriate, at each Consolidated Statement of Financial Position date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each CGU to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

Other intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows: Franchise Agreements - 10 years; Tenant Relationships - 15 months; Website Development Costs - 12 months. The cost of intangible assets acquired in a business combination is the fair value at acquisition date.

Leases

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

Note 3 – Continued

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

Impairment of Non-Financial Assets

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

Income Taxes

Income tax is comprised of current tax and deferred tax. Income tax is recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the tax expected to be payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Note 3 – Continued

authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Stock Based Compensation

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

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

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

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

Income (Loss) per Share

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

Note 3 – Continued

Share Capital

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

Segment Reporting

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

Financial Instruments

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

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

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

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

Financial assets at FVTPL

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and

Note 3 – Continued

receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

Available for sale financial assets

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

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

Held to maturity financial assets

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

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

Financial liabilities at FVTPL

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

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

Other financial liabilities

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

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

Note 3 – Continued

Recent Accounting Pronouncements

The Corporation adopted amendments to IFRS 8 and IAS 24 on January 1, 2015. There was no material impact to the Corporation's consolidated financial statements as a result of the adoption of these amendments.

Future Accounting Pronouncements

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

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has not yet considered the impact of IFRS 15 on its consolidated financial statements.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation has not yet considered the impact of IFRS 9 on its consolidated financial statements.

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation has not yet considered the impact of IFRS 16 on its consolidated financial statements.

4. Cash and Short Term Deposits

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

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

5. Acquisitions

During the year, the Corporation completed the below transactions that all met the definition of business combination under *IFRS 3 – Business Combinations*. Each acquisition has been accounted based on our Business Combinations policy (Note 3) and by using the acquisition method with the results of the operations being included in the consolidated financial statements of the Corporation since the date of acquisition. The acquisitions are:

Acquisition 1:

On April 28, 2015, the Corporation acquired four self storage locations, portable storage containers, vehicles and chattels for \$26,475,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 30,211,529 Common Shares (valued at \$11,480,381), with the balance satisfied in cash on hand and first mortgage financing.

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

Land	\$ 2,468,100
Buildings and related business operating equipment	13,061,900
Portable storage containers, vehicles and chattels	<u>10,945,000</u>
Net Assets Acquired	<u><u>26,475,000</u></u>

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

Issuance of common shares	11,480,381
Cash and advances of long term debt	<u>14,994,619</u>
	<u><u>26,475,000</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	3,618,648
Operating costs	<u>2,046,999</u>
	1,571,649
Amortization	1,194,389
Interest	<u>354,222</u>
Net income (loss)	<u><u>\$ 23,038</u></u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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Note 5 – Continued

Acquisition 2:

On September 11, 2015 the Corporation completed the acquisition of four self storage locations. The acquisition was an arm's length transaction. The purchase price was \$52,466,000 (subjected to customary adjustments), of which \$10,000,000 was paid by the issuance of 20,000,000 Common Shares (valued at \$10,000,000), with the balance satisfied in cash on hand and first mortgage financing.

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

Land	\$22,947,100
Buildings and related business operating equipment	29,247,700
Vehicles and equipment	271,200
Net Assets Acquired	<u>52,466,000</u>

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

Issuance of common shares	10,000,000
Cash and advances of long term debt	42,466,000
	<u>52,466,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	2,066,682
Operating costs	<u>543,546</u>
	1,523,136
Amortization	1,084,934
Interest	<u>545,742</u>
Net income (loss)	<u>\$ (107,540)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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Note 5 – Continued

Acquisition 3:

On October 7, 2015 the Corporation completed the acquisition of three self storage locations for \$27,155,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 32,407,635 Common Shares (valued at \$12,314,901), with the balance satisfied by the assumption of a mortgage in the amount of \$4,730,964, first mortgage financing and cash on hand.

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

Land	\$ 8,602,500
Buildings and related business operating equipment	18,537,500
Vehicles and equipment	<u>15,000</u>
Net Assets Acquired	<u>27,155,000</u>

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

Issuance of common shares	12,314,901
Cash and advances of long term debt	<u>14,840,099</u>
	<u>27,155,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	678,373
Operating costs	<u>198,992</u>
	479,381
Amortization	742,179
Interest	<u>122,161</u>
Net income (loss)	<u>\$ (384,959)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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Note 5 – Continued

Acquisition 4:

On December 9, 2015 the Corporation completed the acquisition of three self storage locations for \$7,800,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 230,769 Common Shares (valued at \$150,000), with the balance satisfied in cash on hand and first mortgage financing.

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

Land	-
Buildings and related business operating equipment	\$ 7,670,000
Vehicles and equipment	130,000
Net Assets Acquired	<u>7,800,000</u>

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

Issuance of common shares	150,000
Cash and advances of long term debt	7,650,000
	<u>7,800,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	30,251
Operating costs	53,792
	<u>(23,541)</u>
Amortization	280,340
Interest	7,237
Net income (loss)	<u>\$ (311,118)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Continued

Acquisition 5 and 6:

On December 16 and 30, 2015 the Corporation completed the acquisitions of four self storage locations for \$24,375,000 (subjected to customary adjustments). The acquisitions were a related party transaction. The purchase price was paid for by the issuance of 6,846,153 Common Shares (valued at \$4,450,000), with the balance satisfied in cash on hand and first mortgage financing.

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

Land	\$ 5,426,000
Buildings and related business operating equipment	18,939,000
Vehicles and equipment	10,000
Net Assets Acquired	<u>24,375,000</u>

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

Issuance of common shares	4,450,000
Cash and advances of long term debt	19,925,000
	<u>24,375,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	23,229
Operating costs	<u>17,066</u>
	6,163
Amortization	803,783
Interest	<u>4,599</u>
Net income (loss)	<u>\$ (802,219)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Continued

Acquisition 7:

On December 31, 2015 the Corporation completed the acquisition of one self storage location for \$5,600,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the assumption of a mortgage in the amount of \$3,075,000 and the balance by cash on hand.

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

Land	\$ 816,000
Buildings and related business operating equipment	4,784,000
Net Assets Acquired	<u>5,600,000</u>

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

Issuance of common shares	-
Cash and advances of long term debt	5,600,000
	<u>5,600,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	-
Operating costs	4,873
	(4,873)
Amortization	209,467
Interest	-
Net income (loss)	<u>\$ (214,340)</u>

Summary:

Selected consolidated information for the acquisitions, based upon information available to management as of the date of this report and the preparation of these consolidated financial statements, as if the assets were acquired as of January 1, 2015 is as follows:

Revenue	\$ 18,381,793
Operating costs	7,017,992
	11,363,801
Amortization	4,315,092
Interest	3,695,727
Net income (loss)	<u>\$ 3,352,982</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

6. Property and Equipment

	<u>Land, Yards, Buildings & Improvements</u>	<u>Storage Containers</u>	<u>Vehicles</u>	<u>Office & Computer Equipment</u>	<u>Total</u>
COST					
December 31, 2013	21,900,122	3,240,164	1,551,815	202,033	26,894,134
Additions	2,539,418	722,266	864,038	33,283	4,159,005
Disposals	-	(8,000)	(41,250)	-	(49,250)
December 31, 2014	24,439,540	3,954,430	2,374,603	235,316	31,003,889
Additions	703,271	1,264,781	221,751	171,571	2,361,374
Business acquisitions	132,557,800	8,950,000	1,975,000	388,200	143,871,000
December 31, 2015	157,700,611	14,169,211	4,571,354	795,087	177,236,263
ACCUMULATED DEPRECIATION					
December 31, 2013	2,188,237	1,754,646	863,485	121,184	4,927,552
Depreciation	633,646	552,450	327,745	27,328	1,541,169
December 31, 2014	2,821,883	2,307,096	1,191,230	148,512	6,468,721
Depreciation	4,289,281	502,845	604,396	87,018	5,483,540
December 31, 2015	7,111,164	2,809,941	1,795,626	235,530	11,952,261
NET BOOK VALUE					
December 31, 2014	21,617,657	1,647,334	1,183,373	86,804	24,535,168
December 31, 2015	150,589,447	11,359,270	2,775,728	559,557	165,284,002

Included in Land, Yards, Buildings & Improvements is Land at a value of \$47,348,171 (December 31, 2014 - \$6,450,893).

StorageVault Canada Inc.
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7. Intangible Assets

	Other Intangible Assets				
	<u>Goodwill</u>	<u>Franchise Agreements</u>	<u>Tenant Relationships</u>	<u>Website Development</u>	<u>Total</u>
COST					
December 31, 2013	1,601,414	20,000	606,000	21,833	2,249,247
Capital expenditures	-	-	-	1,339	1,339
December 31, 2014	1,601,414	20,000	606,000	23,172	2,250,586
Capital expenditures	-	-	-	-	-
December 31, 2015	1,601,414	20,000	606,000	23,172	2,250,586
ACCUMULATED AMORTIZATION					
December 31, 2013	-	11,200	606,000	21,833	639,033
Amortization	-	2,400	-	1,339	3,739
December 31, 2014	-	13,600	606,000	23,172	642,772
Amortization	-	2,400	-	-	2,400
December 31, 2015	-	16,000	606,000	23,172	645,172
NET BOOK VALUE					
December 31, 2014	1,601,414	6,400	-	-	1,607,814
December 31, 2015	1,601,414	4,000	-	-	1,605,414

The goodwill asset relates to properties purchased in the prior year by the Corporation and allocated to the individual properties. The value of goodwill was tested by means of comparing the recoverable amount of the asset to its carrying value. The recoverable amount is the greater of its value in use or its fair value less costs of disposal. Recoverable amount was estimated from the present value of future cash flows expected from the properties and capitalization rates observed for comparable assets. Values assigned to the key assumptions represent management's best estimates and have been based on data from both external and internal sources.

No impairment has been identified on goodwill, and management considers reasonably foreseeable changes in key assumptions are unlikely to produce a goodwill impairment.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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8. Long Term Debt

	December 31, 2015			December 31, 2014		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Term Debt</u>						
Variable Rate	-	-	-	Prime plus 1.00% or BA plus 2.75% <i>Maturity: November 2017</i>	4.00%	1,896,531
<u>Mortgages</u>						
Fixed Rate	3.81% to 5.05% <i>Maturity: March 2018 to August 2020</i>	4.21%	48,269,282	5.00% <i>Maturity: November 2015</i>	5.00%	1,272,496
Variable Rate	Prime plus 1.00% or BA plus 2.75% <i>Maturity: October 2017 to November 2020</i>	4.34%	62,999,553	Prime plus 1.00% or BA plus 2.75% <i>Maturity: November 2017</i>	4.00%	16,244,988
<u>Other</u>						
Defeasance						
Obligation	1.09% <i>Maturity: August 2016</i>	1.09%	1,438,991	1.09% <i>Maturity: August 2016</i>	1.09%	1,557,200
Deferred financing costs net of accretion of \$259,813 (December 31, 2014 - \$161,125)			(1,088,702)			(436,430)
			111,619,124			20,534,785
Less current portion			3,942,906			1,655,266
			107,676,218			18,879,519

The bank Prime rate at December 31, 2015 was 2.70% (December 31, 2014 - 3.00%).

Mortgages are secured by a first mortgage charge on the property and equipment of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. Throughout the year and as of December 31, 2015, the Corporation is in compliance with all covenants.

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

The defeasance obligation is secured by Government of Canada bonds recorded as Short Term Investments.

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

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

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

2016	\$	3,942,906
2017	\$	56,430,614
2018	\$	15,808,593
2019	\$	1,135,883
2020	\$	35,389,831

9. Preferred Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	4,360,175	\$ 4,360,175
Dividends paid	110,030	110,030
Balance, December 31, 2014	4,470,205	\$ 4,470,205
Dividends paid	90,892	90,892
Converted to common shares	(4,561,097)	(4,561,097)
Balance, December 31, 2015	-	\$ -

The preferred shares paid 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.

By the rights provided to the investors, the preferred shares were converted at \$0.30 into 15,203,657 common shares on October 6, 2015.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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10. Share Capital

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

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

Common shares issued:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	33,355,711	\$ 6,444,600
Issued	3,333,333	1,000,000
Share issuance costs	-	(23,276)
Balance, December 31, 2014	<u>36,689,044</u>	<u>\$ 7,421,324</u>
Issued on asset acquisitions	89,696,085	38,395,282
Conversion of preferred shares (note 9)	15,203,657	4,561,097
Private placement	26,337,034	17,119,072
Share issuance costs	-	(629,363)
Balance, December 31, 2015	<u><u>167,925,820</u></u>	<u><u>\$ 66,867,412</u></u>

Contributed surplus:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Opening balance	573,408	470,208
Stock based compensation	<u>461,457</u>	<u>103,200</u>
Ending balance	<u><u>1,034,865</u></u>	<u><u>573,408</u></u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 10 - Continued

Stock Options and Warrants

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

	December 31, 2015		December 31, 2014	
	Weighted Average		Weighted Average	
	<u>Options</u>	<u>Exercise Price</u>	<u>Options</u>	<u>Exercise Price</u>
Opening	3,600,000	\$0.23	3,200,000	\$0.22
Granted	4,961,000	\$0.45	400,000	\$0.33
Closing and Exercisable	8,561,000	\$0.36	3,600,000	\$0.23

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

On April 28, 2015, the Corporation granted 2,901,000 stock options to directors, officers, employees and technical consultants, which vested immediately, have an exercise price of \$0.41 per share, and will expire on April 28, 2025. The stock options have no further vesting requirements. A value of \$240,194 was recorded to the Statement of Income (Loss) and Comprehensive Income (Loss) related to these options. The fair value of stock options was estimated at the date of the grant using the Black-Scholes Option Pricing Model using the following significant assumptions: risk-free interest rate – 0.99%; expected volatility – 23%; expected life in years – 4 and dividend yield – 0.00%. The resultant award fair value was \$0.083 per option.

On September 14, 2015, the Corporation granted 2,000,000 stock options to directors, officers, employees and technical consultants, which vested immediately, have an exercise price of \$0.50 per share, and will expire on September 14, 2025. The stock options have no further vesting requirements. A value of \$201,944 was recorded to the Statement of Income (Loss) and Comprehensive Income (Loss) related to these options. The fair value of stock options was estimated at the date of the grant using the Black-

StorageVault Canada Inc.**Notes to the Consolidated Financial Statements**For the Years Ended December 31, 2015 and 2014

Note 10 - Continued

Scholes Option Pricing Model using the following significant assumptions: risk-free interest rate – 0.99%; expected volatility – 23%; expected life in years – 4 and dividend yield – 0.00%. The resultant award fair value was \$0.101 per option.

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	Outstanding December 31, 2015	Outstanding December 31, 2014
\$0.20	Nov 5, 2007	Nov 5, 2017	1,000,000	1,000,000
\$0.23	May 6, 2009	May 6, 2019	2,200,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	400,000	400,000
\$0.40	Jan 27, 2015	Jan 27, 2025	60,000	nil
\$0.41	April 28, 2015	April 28, 2025	2,901,000	nil
\$0.50	Sept 14, 2015	Sept 14, 2025	2,000,000	nil
			8,561,000	3,600,000

Warrants exercisable and outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2015	Outstanding December 31, 2014
\$0.35	Feb 25, 2018	249,999	249,999
\$0.37	Feb 25, 2018	2,833,334	2,833,334
		3,083,333	3,083,333

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

11. Income Taxes

The reconciliation of the Corporation's effective tax expense is as follows:

	<u>2015</u>	<u>2014</u>
Loss before taxes	(4,575,210)	(1,231,876)
Combined federal and provincial statutory income tax rate	<u>27.00%</u>	<u>27.00%</u>
Income tax recovery calculated at statutory rate	(1,235,307)	(332,607)
Non-deductible items	151,786	59,048
Change in deferred tax assets not realized	<u>1,083,521</u>	<u>273,559</u>
Income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

Details of deferred tax assets (liabilities) are as follows:

	<u>2015</u>	<u>2014</u>
Deferred tax assets (liabilities):		
Property and equipment	(969,160)	-
Goodwill	(132,344)	(117,897)
Long term debt	(293,950)	(117,836)
Non-capital loss carry forwards	<u>1,395,454</u>	<u>235,733</u>
Deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Details of the unrecognized deductible temporary differences are as follows:

	<u>2015</u>	<u>2014</u>
Property and equipment	-	417,928
Intangible assets	282,096	302,425
Deferred financing costs and other	1,344,695	417,627
Non-capital loss carryforwards	<u>7,154,405</u>	<u>3,000,824</u>
	<u>\$ 8,781,196</u>	<u>\$ 4,138,804</u>

The Corporation has non-capital losses at December 31, 2015 that expire as follows:

2027	63,854
2028	296,264
2029	272,049
2030	512,169
2031 and thereafter	<u>11,178,416</u>
	<u>\$ 12,322,752</u>

12. Financial Risk Management and Fair Value

The Corporation is required to disclose certain information concerning its financial instruments, which are defined as contractual rights to receive or deliver cash or other financial assets. The fair values of the Corporation's cash and short term deposits, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amount because of short period to scheduled receipt or payment of cash. The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions. The fair value of financial assets and liabilities were as follows:

	As at December 31, 2015		As at December 31, 2014	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	2,381,390	2,381,390	454,468	454,468
Loans and Receivables				
Accounts receivable	560,828	560,828	181,185	181,185
Held to Maturity				
Short term investments	1,384,253	1,384,253	106,710	106,710
Long term investments	-	-	1,394,759	1,394,759
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	982,551	982,551	284,663	284,663
Long term debt	111,619,124	112,584,218	20,534,785	21,150,000
Fair Value through Profit or Loss				
Preferred shares	-	-	4,470,205	4,470,205

IFRS establishes a three tier fair value hierarchy to reflect the significance of the inputs used in measuring the fair value of the Corporation's financial instruments. The three levels are:

Level 1 – This level includes assets and liabilities measured at fair market value based on unadjusted quoted prices for identical assets and liabilities in active markets that the Corporation can access on the measurement date.

Level 2 – This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

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

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 12 - Continued

The following table presents information on the Corporation's assets and liabilities measured at fair value and indicates the fair value hierarchy of the valuation techniques used to determine this fair value.

At December 31, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and short term deposits	\$2,381,390	-	-	\$2,381,390
At December 31, 2014				
Assets				
Cash and short term deposits	454,468	-		\$454,468
Preferred shares			\$4,470,205	\$4,470,205

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

	<u>Preferred Shares</u>
Balance December 31, 2013	\$4,360,175
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 9)	<u>\$ 110,030</u>
Balance December 31, 2014	\$4,470,205
Gains or losses recognized in profit or loss	-
Gains or losses recognized in other comprehensive income	-
Issuance of additional preferred shares (see Note 9)	\$ 90,892
Converted to common shares (see Note 9)	<u>(\$4,561,097)</u>
Balance December 31, 2015	\$ -

Financial instruments may expose the Corporation to a number of financial risks including interest rate risk, credit risk and environmental risk.

- a) Interest rate risk – Interest rate risk arises from changes in market interest rates that may affect the fair value of future cash flows from the Corporation's financial assets or liabilities. Interest rate risk may be partially mitigated by holding both fixed and floating rate debt, or by staggering the maturities of fixed rate debt. The Corporation is exposed to interest rate risk primarily relating to its long term debt. The Corporation will manage interest rate risk by utilizing fixed interest rates on its mortgages where possible, staggering maturities over a number of years to mitigate exposure to any single year, and by attempting to ensure access to diverse sources of funding.

There is interest rate risk associated with variable rate mortgages as interest expense is impacted by changes in the prime rate. The impact on net income (loss) and comprehensive income (loss) if interest rates on variable rate debt had been 1% higher or lower for the year ended December 31, 2015 would be approximately \$322,200, respectively (December 31, 2014 - \$161,200).

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 12 – Continued

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable under 30 days aged	\$324,335	\$175,904
Accounts receivable over 30 days aged	298,612	59,938
Allowance for doubtful accounts	<u>(62,119)</u>	<u>(54,657)</u>
	\$560,828	\$181,185

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

Balance December 31, 2013	\$27,294
Charges or adjustments during the year	86,513
Receivables written off during the year as uncollectible	<u>(59,150)</u>
Balance December 31, 2014	\$54,657
Charges or adjustments during the year	7,462
Receivables written off during the year as uncollectible	<u>-</u>
Balance December 31, 2015	<u>\$62,119</u>

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

- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities. Typically the Corporation ensures that it has sufficient cash or liquid investments available to meet expected 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

Note 12 – Continued

operations, working capital, and other sources of financing will be sufficient to meet its operating requirements, debt repayment obligations and will provide sufficient funding for anticipated capital expenditures. Maturities of long term financial liabilities are summarized in Note 8.

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

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

13. Related Party Transactions

During the year ended December 31, 2015, the Corporation paid total management fees of \$160,414 (December 31, 2014 - \$280,927) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who were directors and officers of the Corporation to April 28, 2015. Pursuant to a management agreement, Detteson was entitled to a base management fee of \$168,000 per year commencing May 1, 2011, subject to an annual increase of 3% on May 1 of each subsequent year as well as an annual performance fee of 4% of net operating income, defined as storage and related services revenue less property operating costs, if the Corporation attains 85% or greater of its annual board-approved budgeted net operating income for that fiscal year. The portion of management fees paid in the year ended December 31, 2015, for performance fee relating to the prior fiscal year was \$99,221 (December 31, 2014 - \$99,131). On April 28, 2015, this management agreement was acquired by Access Results Management Services Inc. ("ARMS"). At that time, Alan A. Simpson ceased to be an officer of the Corporation and Glenn E. Fradette ceased to be an officer and director of the Corporation. Concurrently, Steven Scott and Iqbal Khan, who control ARMS, became officers and directors of the Corporation. During the year ended December 31, 2015, the Corporation incurred total management fees of \$376,057 (December 31, 2014 - \$nil) to ARMS.

During the year ended December 31, 2015, the Corporation reimbursed travel and related expenses of \$36,625 (December 31, 2014 - \$52,724) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation. Prior to April 28, 2015, the operational wages were paid directly by the Corporation. After, the operational wages were paid by ARMS and reimbursed by the Corporation at cost. During the year ended December 31, 2015, the Corporation reimbursed operational wages of \$1,840,941 and travel and related expenses of \$59,819 (December 31, 2014 - \$nil and \$nil, respectively) to ARMS. These expenses were undertaken exclusively for the benefit of the Corporation.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 13 – Continued

During the year ended December 31, 2015, the Corporation paid loan guarantee fees of \$8,712 (December 31, 2014 - \$8,712) to Alan A. Simpson and loan guarantee fees of \$8,712 (December 31, 2014 - \$8,712) to Glenn E. Fradette, both of whom were directors and officers of the Corporation. As a condition of the assumption of a mortgage, both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees and are paid on a monthly basis at the annual rate of 0.5% of the original mortgage principal, per person.

During the year ended December 31, 2015, the Corporation purchased \$24,375,000 of self storage assets from Corporations affiliated with directors and officers of the Corporation. See Note 5, Acquisition 5 & 6 for further information on this transaction.

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 and officers of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the year ended December 31, 2015, the Corporation paid \$145,664 (December 31, 2014 - \$105,071) for royalties and \$1,472,143 (December 31, 2014 - \$1,914,016) for storage containers and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2015 was \$44,502 (December 31, 2014 - \$61,262) payable to CPFI; \$nil (December 31, 2014 - \$3,299) payable to Detteson; and \$365,483 (December 31, 2014 - \$nil) payable to ARMS.

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

	Year ended <u>December 31, 2015</u>	Year ended <u>December 31, 2014</u>
Wages, salaries, management fees, bonuses, directors fees and benefits	\$ 628,834	\$ 305,980
Stock based compensation	<u>406,292</u>	<u>103,200</u>
	<u>\$ 1,035,126</u>	<u>\$ 409,180</u>

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

Note 14 – Continued

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

On an ongoing basis, the Corporation reviews and assesses its capital structure. The Corporation determines the appropriate mortgage debt to be placed on properties at the time a particular property is acquired or when an existing mortgage financing matures. Consideration is given to various factors including, but not limited to, interest rates, financing costs, the term of the mortgage and the strength of cash flow arising from the underlying asset. Mortgage debt is usually only secured by the underlying asset. The Corporation monitors its capital using a debt to fair value ratio.

Except for the debt covenants described in Note 8, the Corporation is not subject to any externally imposed capital requirements.

15. Segmented Information

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

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

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

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 15 – Continued

For the Year Ended December 31, 2015

	Self Storage	Portable Storage	Corporate	Total
Revenue	\$ 6,689,506	\$ 4,451,081	\$ -	\$ 11,140,587
Operating expenses	2,335,967	2,966,322	-	5,302,289
Selling, general & admin.	-	-	1,052,121	1,052,121
Acquisition and integration	-	-	1,266,635	1,266,635
Interest expense	1,543,929	286,720	316,706	2,147,355
Stock based compensation	-	-	461,457	461,457
Depreciation & amortization	4,206,855	1,234,203	44,882	5,485,940
Net income/(loss)	<u>(1,397,245)</u>	<u>(36,164)</u>	<u>(3,141,801)</u>	<u>(4,575,210)</u>
Additions:				
Property & equip.	133,261,071	12,411,532	559,771	146,232,374

For the Year Ended December 31, 2014

	Self Storage	Portable Storage	Corporate	Total
Revenue	\$ 2,824,553	\$ 2,411,667	\$ -	\$ 5,236,220
Operating expenses	1,298,776	1,456,929	-	2,755,705
Selling, general & admin.	-	-	900,105	900,105
Acquisition and integration	-	-	-	-
Interest expense	634,906	193,789	335,483	1,164,178
Stock based compensation	-	-	103,200	103,200
Depreciation & amortization	578,473	958,049	8,386	1,544,908
Net income/(loss)	<u>312,398</u>	<u>(197,100)</u>	<u>(1,347,174)</u>	<u>(1,231,876)</u>
Additions:				
Property & equip.	36,845	4,121,950	210	4,159,005
Intangible Assets	-	-	1,339	1,339

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 15 – Continued

Total Assets				
	Self Storage	Portable Storage	Corporate	Total
As at December 31, 2015	\$ 151,443,965	\$ 15,105,555	\$ 4,936,957	\$ 171,486,477
As at December 31, 2014	\$ 22,472,175	\$ 3,654,302	\$ 2,477,715	\$ 28,604,192

16. Commitments and Contingencies

Operating Lease Commitments

The Corporation leases lands in Winnipeg, MB and Kamloops, BC on which its buildings are situated. The lease does not contain any contingent rent clauses. It does not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, these leases are considered operating leases as the risk and reward of ownership of the lands remain with the landlords. The leases expire between 2027 and 2054, with the lease that is expiring in 2027 having up to 20 years of renewals at the option of the Corporation after that time.

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

Less than one year	\$ 149,882
Between one and five years	605,167
More than five years	<u>2,308,009</u>
	\$ 3,063,058

During the year ended December 31, 2015, the Corporation recognized as an expense \$67,072 (December 31, 2014 - \$59,535) in operating lease payments.

Contingency

The Corporation has no legal contingency provisions at either December 31, 2015 or December 31, 2014.

17. Subsequent Events

On March 18, 2016, the Corporation issued 8,333,331 Common Shares at a price of \$0.66 per Common Share for gross proceeds of \$5,499,998.

On March 18, 2016, the Corporation acquired the leasehold interest of one self storage location for \$978,000 (subjected to customary adjustments). The acquisition was arm's length transaction. The purchase price was paid for by cash on hand.

StorageVault Canada Inc.

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Iqbal Khan
Toronto, ON

Rob Duguid
Regina, SK

Alan Simpson
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TSX VENTURE EXCHANGE LISTING

SVI

StorageVault Canada Inc.

(the “Corporation”)

Form 51-102F1

Management’s Discussion and Analysis

For Year Ended December 31, 2015

The following Management’s Discussion and Analysis (“MD&A”) provides a review of corporate and market developments, results of operations and the financial position of StorageVault Canada Inc. (“SVI” or “the Corporation”) for the year ended December 31, 2015. This MD&A should be read in conjunction with the December 31, 2015 consolidated financial statements and accompanying notes contained therein, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. This MD&A is based on information available to Management as of April 27, 2016.

FORWARD LOOKING STATEMENTS

This MD&A and the accompanying Letter to Shareholders contains forward-looking information. All statements, other than statements of historical fact, included in this MD&A and the accompanying Letter to Shareholders may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, forward-looking information included in this MD&A and the accompanying Letter to Shareholders includes statements with respect to: the Corporation’s outlook as to the market for self storage and portable storage; economic conditions; the availability of credit; the expectation of cash flows; the Corporation’s strategic objectives, growth strategies, goals and plans; potential sources of financing including issuing additional common shares as a source financing, generally, and as a source of financing for potential acquisitions; future expansion of existing SVI Stores; the size of potential future acquisitions the Corporation may make in 2016; the annualized NOI and annualized FFO assuming previous acquisitions that occurred in Fiscal 2015 were purchased on January 1, 2015; and the general outlook for the Corporation. This forward-looking information is contained in “Highlights”, “Nature of Business”, “Business and General Corporate Strategy”, “Outlook”, “Financial Results Overview” and “Working Capital, Long Term Debt and Share Capital” and other sections of this MD&A.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information. Certain of such risks are discussed in the “Risks and Uncertainties” section of this MD&A.

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation.

The forward-looking information in this MD&A and the accompanying Letter to Shareholders should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this MD&A. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to obtain sufficient or necessary financing, satisfy conditions under previously announced acquisition agreements, or satisfy any requirements of the TSX Venture Exchange with respect to these acquisitions and any related private placement; the level of activity in the storage business and the economy generally; consumer interest in the Corporation's services and products; competition and SVI's competitive advantages; trends in the storage industry, including, increased growth and growth in the portable storage business; the availability of attractive and financially competitive asset acquisitions in the future; the revenue from acquisitions conducted in Fiscal 2015 being extrapolated to the entire period for 2015 and being consistent with, and reproducible as, revenue in future periods; and anticipated and unanticipated costs. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Corporation's disclosure documents on the SEDAR website at www.sedar.com. The Corporation undertakes no obligation to publicly update or review any forward-looking information, except in accordance with applicable securities laws. Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations.

The amount of potential future acquisitions by the Corporations in fiscal 2016 and revenue and NOI growth for 2016 may be considered a financial outlook, as defined by applicable securities legislation, contained in this MD&A and the accompanying Letter to Shareholders. Such information and any other financial outlooks or future-oriented financial information has been approved by management of the Corporation as of the date hereof. Such financial outlook or future-oriented financial information is provided for the purpose of presenting information about management's current expectations and goals relating to the future business of the Corporation. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

Additional information relating to StorageVault Canada Inc. can be found at www.sedar.com.

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GLOSSARY OF TERMS

The following abbreviated terms are used in the Management Discussion & Analysis and have the following respective meanings:

“Costco” means Costco Wholesale Canada Ltd.;

“Existing Self Storage” means store that the Corporation has owned or leased since the beginning of the previous fiscal year;

“Fiscal 2015” means the twelve month period ending December 31, 2015;

“FFO” means net income (loss) excluding gains or losses from the sale of depreciable real estate, plus depreciation and amortization, stock based compensation expenses, and deferred income taxes; and after adjustments for equity accounted entities and non-controlling interests.

“IFRS” means international financial reporting standards;

“MD & A” means this management discussion and analysis disclosure document;

“New Self Storage” means store that have not been owned or leased continuously since the beginning of the previous fiscal year;

“NOI”, means net operating income, calculated as revenue from storage and related services less related property operating costs;

“Non-IFRS Measures” means operating and performance metrics that are not always calculated with reference to IFRS, but are used commonly in the storage industry to measure operating results for assets owned or leased;

“Q1, Q2, Q3 or Q4” means a three month fiscal quarter of the Company, ending on March 31, June 30, September 30 and December 31 respectively;

“Revenue Management” means the operating principle of achieving optimal revenue through a combination of rental rate increases on existing customers (increases the existing revenue base and rent per square foot) and dynamic pricing of available inventory;

“Store” means self storage property or location or facility or site;

“Subsequent Events” means material transactions that have occurred from January 1, 2016 to April 27, 2016.

“SVI” means StorageVault Canada Inc.;

“The Company” or “The Corporation” or “We” or “Our” means StorageVault Canada Inc.;

HIGHLIGHTS

During the 2015 fiscal year, the Company achieved the following significant milestones:

Assets and Share Capital

- \$146.2 million of acquisitions and additions to property and equipment
- Increased SVI's share capital by \$59.4 million and shareholder base
- Total rentable square feet increased 391% to 1,501,705 square feet

Financial Operating Results

- Revenue growth of 113% to \$11.1 million
- NOI growth to \$5.8 million from \$2.5 million in 2014
- Annualizing the results of the assets acquired in 2015 to account for a full year of results would result in an NOI of \$13.6 million

Subsequent Event

- Increased share capital by \$5.5 million through share issuance
- Closed the acquisition of a 66,000 square feet self storage asset in Winnipeg, MB in March 2016
- Signed purchase agreement to acquire additional self storage in British Columbia for \$8.4 million
- Announced the implementation of a Dividend Policy, Dividend Reinvestment Plan and Normal Course Issuer Bid in April 2016.

NATURE OF OUR BUSINESS

Business Overview

The Corporation was incorporated on May 31, 2007, under the Business Corporations Act of Alberta, and is domiciled in Canada. The common shares of the Company are publicly traded on the TSX Venture Exchange, under the symbol 'SVI'. The Corporation's primary business is owning, operating and renting self storage and portable storage space to individual and commercial customers.

SVI acquired nineteen properties in the final eight months of fiscal 2015, bringing our total to twenty nine locations across Canada for the year ending December 31, 2015. These twenty-nine stores, operating under the Access Storage and Storage For Your Life brands, total 1,501,705 million square feet of rentable storage space comprised of 14,016 rental units. The majority of these acquisitions were in British Columbia and Ontario, widely considered the top two storage markets in Canada.

Our portable storage business is also across Canada and operate under Cubeit and PUPS brands,. As at December 31, 2015, we had 3,704 portable storage units in service throughout Canada (480 of these units are operated under third party licensing agreements in British Columbia and the Maritimes and a Franchise Agreement in Ottawa).

SVI's strategic objective is to own and operate self storage and portable storage in the top markets in Canada. The Corporation will focus on acquiring storage assets with strong existing cash flows, in strategic markets, preferably with under-developed land to allow for future development and expansion of our portable storage business. Financing for this growth is intended to come from a combination of free cash flow from operations, mortgage financing and the issuance of additional debt or equity securities.

The Storage Landscape

Demand for storage is driven by population growth, change of circumstances and smaller living areas and work spaces. Business incubation, immigration, death, divorce, downsizing, renovations, moving, etc. have contributed to the significant growth in demand for storage space in Canada over the past 10 years and statistics show that this trend is expected to continue.

Market Size

The Canadian storage market is estimated to be 60 million square feet across 2,500 stores, with the top 10 operators owning approximately 15% of these stores; by comparison, the US market is estimated at over 2.5 billion square feet across over 52,500 stores. This translates into approximately 7 square feet per capita in the US versus only 2 square feet per capita in Canada suggesting that Canada is an under-stored nation.

The market fragmentation of the Canadian storage industry combined with the low square foot per capita provides significant consolidation, expansion and development opportunities. Our existing platform, relationships, presence in and knowledge of the storage industry allows us to identify accretive and strategic purchasing opportunities to take advantage of these opportunities.

Pricing and Occupancy

A store's rental rates and level of occupancy are dependent upon factors such as population density and growth (approximately 80% of customers live or work within 8 kms of the store location), the local economy, pricing, customer service, curb appeal, etc. We believe in managing our inventory (units) availability through pricing elasticity (if pricing is too low then occupancy is too high and we have no inventory available to rent, and vice versa). Since our rentals are either weekly or monthly, we are able to react to market demand very quickly. Our objective is to maximize revenue and NOI, by increasing achieved rent per square foot first and then through increased occupancy.

Competition

New development in a market impacts the occupancy and the ability to raise rates at existing stores until the market absorbs the new space. New entrants tend to offer significant move-in specials to achieve more rapid occupancy gains. Once the space has leased up, these promotions burn off and the focus switches to maximizing revenue through price increases. This can result in short term fluctuations in occupancy and revenue per square foot at existing stores.

Seasonality

The storage business is subject to seasonality. There is naturally more activity in the warmer months and less activity in the colder months. As a result occupancies and revenue per square foot tend to be highest in Q2 and Q3 and lowest in Q1 and Q4. This trend is consistent with what is experienced in the Northern US. This seasonality is more significant in the portable storage business as all of our portable units are non-climate controlled. Also, operating costs tend to be higher during the winter months in Canada due to heating and snow removal costs resulting in lower NOI margins in Q1 and Q4 versus Q2 and Q3.

BUSINESS AND GENERAL CORPORATE STRATEGY

SVI owns and operates storage locations offering both self storage and portable storage for rent on a weekly or monthly basis, for personal and business use. As of December 31, 2015 we were the fourth largest storage company in Canada with 29 locations and 1,501,705 rentable square feet.

We are focused on owning and operating locations in the top markets in Canada with a plan to have multiple stores, where possible, in each market we operate. Our goal is to “own our geography” so we can take advantage of economies of scale.

Growth Strategies

Our growth strategy is described in the following four segments: acquisitions, organic growth through improved performance of existing stores, expansion of our existing stores to meet pent up demand and expansion of our portable storage business.

Acquisitions

In fiscal 2015, SVI acquired \$146.2 million of storage assets (19 stores, 10,232 units and 1,117,600 rentable square feet) and we expect 2016 to be another good year for acquisitions. The combination of our corporate platform, our industry relationships and our storage experience provide StorageVault with a unique advantage in the Canadian market place. This advantage allows us to identify accretive and strategic purchasing opportunities at attractive prices that provide synergies in operations, marketing and revenue maximization.

We intend to be disciplined purchasers in 2016, with a focus on Canada’s top markets being consistent with our “own our geography” philosophy. However, as there is more competition to acquire existing stores, especially from US purchasers, we may not be able to find acquisitions that meet our criteria.

Organic Growth

Scale has become increasingly important in the storage business and the increase in the size of SVI provides a significant advantage in negotiating better rates on: insurance, software, office supplies, resale retail products, merchant services, technical support and long distance transport of portable units. These economies translate into improved margins and better results.

Efficiencies are also gained through cross promotion and marketing of the self storage and portable storage platforms due to a larger national footprint, offering different but complementary product choices at various price points to our customers.

The most significant evolution in the storage industry over the last three years has been in the area of revenue management. Revenue management is the principle of achieving optimal revenue through a combination of rental rate increases on existing customers (increases the existing revenue base and rent per square foot) and dynamic pricing of available inventory so we are selling the right product, to the right customer at the right time, for the right price. With a focus on revenue management, stores are able to achieve significant top and bottom line growth even when occupancies are stable.

Existing Store Expansion

There is over 500,000 square feet of development potential on the land currently owned and operated by SVI. When the market conditions are suitable and high occupancies indicate pent up demand, we expect to expand a number of our existing locations.

Expansion of Portable Storage Business

The portable storage business is where the self storage business was 20 years ago and has significant growth potential. This belief is supported by Canada's largest pension plan purchase of the world's largest portable storage business for one of their long-term funds in February 2015. While margins in the portable storage business are not as high as they are in the self storage business, they are still very attractive. With a larger geographic and operating footprint achieved through our growth strategy, we believe the margins will continue to grow.

Financing Strategy

We anticipate funding the capital requirements of our growth strategy through excess operating cash flow, utilization of suitable leverage and from the issuance of common shares.

Financing With Secured Debt and Lines of Credit

The Corporation will partially fund the purchase of storage assets by the use of leverage. A number of factors are considered when evaluating level of debt in our capital structure, as well as the amount of leverage that will either be fixed or variable rate. In making financing decisions, the factors that we consider include, but are not limited to interest rate, amortization period, covenants and restrictions, security requirements, prepayment rights and costs, overall debt level, maturity date in relation to existing debt, overall percentage of fixed and variable rate debt and expected store performance.

Issuance of Common Shares

The Corporation will, from time to time, issue common shares to the public or to vendors to fund the purchase of storage assets. In fiscal 2015, SVI issued 26,337,034 common shares through a non-brokered private placement, raising \$17.1 million at a share price of 65 cents before costs of issue. In addition, 89,696,085 common shares were issued to vendors on asset acquisitions. In Q1 of fiscal 2016, SVI closed a further non-brokered private placement raising \$5.5 million at 66 cents bringing the total proceeds raised since November 1, 2015 to date of this MD & A via private placement to \$22.6 million. SVI will consider further issuances of additional common shares as consideration in the purchase of storage assets in the upcoming fiscal year if accretive to shareholders. Future issuances will be dependent upon financing needs, acquisitions and expansion, equity market conditions at the time and transaction pricing.

OUTLOOK

The Corporation's outlook for acquisitions, share capital, results from operations and subsequent events are:

Acquisitions

In 2016 we expect to purchase approximately \$50 million of acquisitions. However, as there is more competition to acquire existing stores, especially from US purchasers, we may not be able to find acquisitions that meet our criteria.

Share Capital

The Corporation will from time to time issue common shares to the public or to vendors to fund the purchase of storage assets. Future issuances will be dependent upon financing needs, acquisition opportunities, expansion plans, equity market conditions at the time and transaction pricing.

Results from Operations

We expect significant growth in revenue and net operating income in 2016 as we streamline and integrate operations, increase rates through our revenue management systems and continue to reduce costs on assets purchased in 2015.

New competitors often try to jump-start their lease up periods by offering significant move-in discounts to new customers. This can result in short term fluctuations occupancy and rent per square foot at existing stores. The Corporation may provide discounts in select markets to match competitive forces and retain its customer base. The effect on overall revenues is not expected to be significant, but it may be enough to slow the rate of growth in revenues experienced in past years.

Subsequent Events

The following subsequent events have occurred or have been announced by the Corporation:

- On March 18, 2016, SVI raised \$5.5 million at 66 cents non-brokered private placement
- On March 18, 2016 closed the acquisition of a 66,000 square feet self storage asset in Winnipeg
- On April 14, 2016 announced entering a purchase agreement to acquire additional self storage store in British Columbia for \$8.4 million
- On April 18, 2016 announced the implementation of a Dividend Policy, Dividend Reinvestment Plan and Normal Course Issuer Bid

DESCRIPTION OF OUR OPERATIONS

As at December 31, 2015, the Corporation had the following self storage and portable storage operations:

Location	Acres	Number of Stores	Units	Rentable Square Feet
British Columbia	18.2	8	4,065	424,058
Alberta	9.4	4	817	86,537
Saskatchewan	10.8	2	342	39,217
Manitoba	4.7	3	1,021	96,838
Ontario	45.2	12	4,547	500,758
Portable Storage Units			3,224	354,297
Total	88.3	29	14,016	1,501,705

Management is focused on increasing value by increasing NOI through the following:

Professional Management

SVI's stores are managed by Access Results Management Services Inc. (ARMS) who acquired the third party management contract from Detteson Management Inc. on April 28, 2015. The management team at ARMS has extensive experience in all aspects of the storage industry including:

- management of over 100 storage locations throughout Canada
- acquisition and development of over 5 million square feet of storage space
- over 100 years of combined experience in the storage industry by senior management

Revenue Management

In today's competitive climate, revenue per square foot is the greatest driver in creating value. Our management platform has dedicated revenue managers who understand the nuances of each local market. Their in-depth knowledge of our customer base and competition allows us to implement strategic rate increases and optimize proven promotions to attract clientele that will be long-term customers, repeat renters and strong referral sources.

Marketing

We implement specific marketing plans for the different stages and seasons of our business with emphasis on maximizing return on investment for every dollar spent. Our strategies to attract customers include strong search engine marketing, user friendly online presence, community connection programs and development of large national accounts. We conduct specific store and market studies to determine how, when and where to focus our marketing dollars with the goal of efficiently and consistently increasing the value of our stores.

Costco Supplier

Our portable storage business is the exclusive supplier of portable storage services to Costco members across Canada. This relationship provides us access to Costco's vast membership base as a marketing channel.

We are currently working with Costco on a pilot program to expand our offering in Canada to provide self storage services to Costco members nationally.

Storage Solution Centre

The ARMS's platform has a Storage Solution Centre (call center) that provides call management services designed to increase reservations and move-ins, increase productivity at the store level and improve corporate image through professionalism, consistency of messaging and willingness to resolve issues. Our Storage Solution Centre Experts have worked in the storage business and understand the need to (i) introduce and greet professionally; (ii) establish rapport with customers; (iii) build trust; (iv) ask the right questions; (v) listen; (vi) ask for the business and (vii) close the sale. The overall result is an increased close rate leading to improved financial performance.

Technology and Software

SVI stores utilize modern and updated software, technology and security systems. We work with vendors and developers, who have knowledge of the storage business, to take advantage of developing trends, including: (1) exception reports that allow management to monitor key performance and fraud indicators ensuring that management time is more effectively spent preventing and resolving issues than identifying them; and (2) web-based software reporting that allows authorized individuals to view specific store information in real time. The user can choose to see daily rental rates achieved and the number of customers moving-in or moving-out. This tool allows us to adjust quickly to opportunities and competitive threats in each marketplace.

Economies of Scale

The size and scope of our management platform, combined with the growing size of our operations translates into higher gross margins through the centralization of many functions such as revenue management, property management, employee compensation and benefits programs, as well as the development and documentation of standardized operating procedures and best practices.

FINANCIAL RESULTS OVERVIEW

Fiscal 2015 was a year of significant growth for StorageVault, with the addition 19 stores, at a cost of \$146.2 million in acquisitions, the majority of which, \$111.8 million, taking place in the last 4 months of the year. See “Acquisitions in Fiscal 2015”. When reviewing our results, it is important to consider the timing of the acquisitions. As a result, we do not believe that the historical results of operations are comparable or necessarily indicative of future results. See “Annualized Net Operating Income and Funds from Operations”, a non-IFRS statement, prepared by management that annualizes the operational results as if the Corporation owned the assets for a full year.

Selected Financial Information

	For the Years Ended December 31		Year over Year Change	
	2015	2014	\$	%
Storage revenue and related services	\$ 11,140,587	\$ 5,236,220	5,904,367	112.8%
Property operating costs	5,302,289	2,755,705	2,546,584	92.4%
Net operating income	5,838,298	2,480,515	3,357,783	135.4%
Less:				
Acquisition and integration costs	1,266,635	-	1,266,635	N/A
Selling, general and administrative	1,052,121	900,105	152,016	16.9%
Interest	2,147,355	1,164,178	983,177	84.5%
Stock based compensation	461,457	103,200	358,257	347.1%
Depreciation and amortization	5,485,940	1,544,908	3,941,032	255.1%
	10,413,508	3,712,391	6,701,117	180.5%
Net Income (Loss)	\$ (4,575,210)	\$ (1,231,876)	(3,343,334)	271.4%
Weighted average number of common shares outstanding				
Basic	75,781,610	36,177,629	39,603,981	109.5%
Diluted	75,781,610	36,177,629	39,603,981	109.5%
Net income (loss) per common share				
Basic	\$ (0.060)	\$ (0.034)		
Diluted	\$ (0.060)	\$ (0.034)		

Storage revenue and related services

Revenues increased by \$5.9 million, or 112.8%, for the year ended December 31, 2015, as compared to the prior year. This increase is primarily attributable to incremental revenue from the properties acquired in 2015. Included in revenues are revenues from self storage and portable storage operations. See “Segmented, Existing and New Self Storage and Portable Storage Results.”

Property operating costs

Property operating costs for the year ended December 31, 2015 were \$5.3 million (December 31, 2014 - \$2.8 million), an increase of 92.4%. The increase in property operating cost relates to the acquisitions completed in 2015.

Net operating income

For the year ended December 31, 2015, the Corporation had a NOI, a non-IFRS measure, of \$5.8 million (December 31, 2014 - \$2.5 million), an increase of 135.4%. The increase was primarily due to the storage assets purchased in fiscal 2015.

Acquisition and integration costs

Acquisition and integration costs include professional fees incurred to identify, qualify, close and integrate the \$146.2 million assets purchased in fiscal 2015.

Selling, general and administrative

Selling, general and administrative expenses include all expenses not related to the stores including corporate office overheads and payroll, travel and professional fees. These costs have increased as a result of increased activity associated with the growth of the business and of the Corporation and the management of additional stores.

Interest

Interest expense increased as the total amount of debt outstanding increase with the 2015 acquisitions. This increase was moderately offset by a decrease in the average interest rate. At December 31, 2015, our total debt was \$111.6 million compared to \$20.5 million at December 31, 2014.

Stock based compensation

The Corporation granted 4,961,000 options in fiscal 2015 to directors, officers, management, employees and consultants of SVI. The fair value of the resulting non-cash charge was estimated at the date of the grant using the Black-Scholes Option Pricing Model.

Depreciation and amortization

The increase in depreciation and amortization expense of \$3.9 million is primarily due to the assets acquired in 2015. The majority of acquisitions in 2015 closed in the latter part of 2015 and under our accounting policies for depreciation and amortization, resulted in a substantially higher expense item recognized for the year versus the realized amount of revenue received on the acquired assets.

Net Income

The increase in net loss by \$3.3 million, year over year is a result of:

- i) An increase in depreciation and amortization expense of \$3.9 million relating to assets acquired in 2015. While the majority of acquisitions in 2015 closed in the latter part of 2015, including acquisitions closing in the last week of December, our accounting policies on depreciation and amortization resulted in a relatively higher expense item than might be expected for the time the assets were held;
- ii) Acquisition and integration costs of \$1.3 million;
- iii) An increase in selling, general and administrative expenses due to the increased corporate activity; and
- iv) An increase in stock based compensation

Funds from Operations (FFO)

FFO is a non-IFRS measure. It allows management and investors to evaluate the financial results of an entity without taking into consideration the impact of non-cash items on the Consolidated Statement of Income (Loss). Net income (loss) assumes that the values of our assets diminish over time as through depreciation and amortization, irrespective of the value of our real estate assets in the open market. Other non-cash items accounted for are stock based compensation costs and deferred income tax expenses (recoveries), if any.

FFO for the year ended December 31, 2015 was \$1.4 million versus \$416,232 for 2014. This increase is the result of contribution from the assets purchased in fiscal 2015. The increase was partially offset by onetime acquisition and integration costs of \$1.3 million related to the purchase of the \$146.2 million of assets in 2015.

The FFO for the years ended December 31, 2015 and 2014 is:

	For the Years Ended December 31	
	<u>2015</u>	<u>2014</u>
Net Income (loss)	\$ (4,575,210)	\$ (1,231,876)
Adjustments:		
Stock based compensation	461,457	103,200
Depreciation and amortization	5,485,940	1,544,908
	<u>5,947,397</u>	<u>1,648,108</u>
FFO	<u>\$ 1,372,187</u>	<u>\$ 416,232</u>

Annualized Net Operating Income and Funds from Operations

The Company purchased 19 properties during fiscal 2015 and the revenues and operating expenses from each acquisition are reflected in the statements from the date of acquisition forward for these properties. In order to understand a full year of operations with the acquired assets, we have prepared an Annualized NOI and FFO statement annualizing the revenues and expenses as if the properties were purchased as of January 1, 2015 and owned for the entire 12 month period.

The results of this annualized statement show that NOI and FFO would be higher by \$7.8 and \$5.2 million, respectively. NOI would have been \$13.6 million and the FFO would be \$6.5 million. The Corporation expects to realize the full impact of all the acquisitions in fiscal 2016.

	<u>Actual</u>	<u>Annualized Results</u>	<u>Notes</u>
Storage revenue and related services	\$ 11,140,587	\$ 23,105,195	1
Property operating costs	5,302,289	9,473,103	1
Net operating income	<u>5,838,298</u>	<u>13,632,092</u>	
Less:			
Acquisition and integration costs	1,266,635	1,266,635	2
Selling, general and administrative	1,052,121	1,052,121	3
Interest	2,147,355	4,790,941	4
	<u>4,466,111</u>	<u>7,109,697</u>	
Funds from Operations	<u>\$ 1,372,187</u>	<u>\$ 6,522,395</u>	

Note 1 - the results from all stores acquired in fiscal 2015, have been adjusted as if the purchase occurred on January 1, 2015. For revenues, we assumed achieved occupancies and rent per square foot were repeated for the period prior to acquisition. Information regarding expenses incurred during 2015 and prior to acquisition, has been sourced from due diligence materials received during the acquisition process to determine a full year of operating costs.

Note 2 – these costs are one time in nature and do not change based on acquisition date.

Note 3 – these costs do not change based on the acquisition dates as we incurred the costs in anticipation of our growth

Note 4 – annualized amount determined based on interest rate and debt outstanding at December 31, 2015.

Segmented, Existing and New Self Storage and Portable Storage Results

The Corporation operates two reportable business segments - self storage and portable storage. Self storage involves the customer renting space at the Corporation's property for short or long term storage. Self storage may also include space for storing vehicles and use for small commercial operations. Portable storage involves delivering a 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.

Revenue, property operating costs and net operating income

	Year Ended December 31		Year over Year Change	
	2015	2014	\$	%
Revenue				
Existing Self Storage	\$ 2,787,506	\$ 2,500,087	287,419	11.5%
New Self Storage	3,901,998	324,466	3,577,532	1102.6%
Total Self Storage	6,689,504	2,824,553	3,864,951	136.8%
Portable Storage	4,451,083	2,411,667	2,039,416	84.6%
Combined	11,140,587	5,236,220	5,904,367	112.8%
Property Operating Costs				
Existing Self Storage	1,149,202	1,121,721	27,481	2.4%
New Self Storage	1,186,765	177,055	1,009,710	570.3%
Total Self Storage	2,335,967	1,298,776	1,037,191	79.9%
Portable Storage	2,966,322	1,456,929	1,509,393	103.6%
Combined	5,302,289	2,755,705	2,546,584	92.4%
Net Operating Income				
Existing Self Storage	1,638,304	1,378,366	259,938	18.9%
New Self Storage	2,715,233	147,411	2,567,822	1741.9%
Total Self Storage	4,353,537	1,525,777	2,827,760	185.3%
Portable Storage	1,484,761	954,738	530,023	55.5%
Combined	\$ 5,838,298	\$ 2,480,515	3,357,783	135.4%

Existing Self Storage

The 11.5% increase in revenue is the result of increased occupancy and rental rates, while the growth in expenses of only 2.4% was a result of realizing cost savings from economies of scale. The combination of these factors resulted in an 18.9% increase in NOI (\$259,938), year over year.

New Self Storage

The Corporation purchased 19 properties throughout fiscal 2015. The results experienced this year are impacted by the timing of the acquisitions, the full effect of owning these stores will only be realized in fiscal 2016.

Portable Storage

The 55.5% increase in NOI is the result of the Corporation acquiring a portable storage business through a business acquisition on April 28, 2015. The full effect of the portable storage business purchased during the year will be realized in fiscal 2016.

Quarterly net operating income

The Corporation's quarterly results are affected by the timing of acquisitions. SVI also incurs non-recurring startup expenses when a new location is opened or acquired. These costs may include labor, severance, training, travel, advertising or office expenses.

The storage business is subject to seasonality. There is naturally more activity in the warmer months and less activity in the colder months. As a result occupancies and revenue per square foot tend to be highest in Q2 and Q3 and lowest in Q1 and Q4. This trend is consistent with that experienced in the Northern US. This seasonality is more significant in the portable storage business as all portable units are non-climate controlled. Also, operating costs tend to be higher during the winter months in Canada due to heating and snow removal costs resulting in lower NOI margins in Q1 and Q4, versus Q2 and Q3.

	Year Ended December 31		Fiscal 2015				(\$'000)	Fiscal 2014			
	2015	2014	Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1
Net Operating Income											
Existing Self Storage	\$ 1,638,304	\$ 1,378,366	522	408	341	368		332	343	364	340
New Self Storage	2,715,233	147,411	1,877	613	225	-		48	36	32	31
Total Self Storage	4,353,537	1,525,777	2,399	1,021	566	368		380	379	396	371
Portable Storage	1,484,761	954,738	199	731	400	154		207	378	222	148
	\$ 5,838,298	\$ 2,480,515	2,598	1,752	966	522		587	757	618	519

Existing Self Storage

The increase in each fiscal quarter and over the prior year is a result of revenue management and savings on expenses due to economies of scale.

New Self Storage

The Corporation purchased 19 properties throughout fiscal 2015. The results experienced this year are skewed by the timing of the acquisitions and the full effect of owning these stores will be realized in fiscal 2016.

Portable Storage

Most of the increase is the result of the Corporation acquiring additional portable storage units through a business acquisition on April 28, 2015. The full effect of the portable storage business purchased during the year will be realized in fiscal 2016. The portable storage business is subject to seasonality as all portable units are non-climate controlled resulting in lower results in Q1 and Q4. In addition, there were streamlining expenses realized in fiscal 2015 impacting the net operating income for portable storage.

Summary of Quarterly Results (unaudited)

Period	Revenue	Net Income / (Loss)	Net Income / (Loss) per share	Fully diluted Net Income / (Loss) per share	Total Assets	Total Long Term Liabilities	Dividends
2015- Q4	\$4,769,462	(\$2,702,281)	(\$0.026)	(\$0.026)	\$171,486,477	\$107,251,525	-
2015- Q3	\$3,146,945	(\$821,330)	(\$0.012)	(\$0.012)	\$108,865,822	\$77,070,939	-
2015- Q2	\$2,119,586	(\$677,127)	(\$0.012)	(\$0.012)	\$54,449,748	\$32,755,226	-
2015- Q1	\$1,104,594	(\$374,472)	(\$0.010)	(\$0.010)	\$27,910,360	\$18,483,161	-
Total 2015	\$11,140,587	(\$4,575,210)	(\$0.060)	(\$0.060)	N/A	N/A	-
2014- Q4	\$1,229,934	(\$424,349)	(\$0.012)	(\$0.012)	\$28,604,192	\$18,879,519	-
2014- Q3	\$1,483,755	(\$159,355)	(\$0.004)	(\$0.004)	\$28,445,226	\$22,859,246	-
2014- Q2	\$1,404,725	(\$316,946)	(\$0.009)	(\$0.009)	\$28,753,424	\$22,905,741	-
2014- Q1	\$1,117,806	(\$331,226)	(\$0.009)	(\$0.009)	\$26,097,965	\$20,567,212	-
Total 2014	\$5,236,220	(\$1,231,876)	(\$0.034)	(\$0.034)	N/A	N/A	-
2013- Q4	\$1,263,287	(\$120,230)	(\$0.004)	(\$0.004)	\$25,714,728	\$20,818,777	-
2013- Q3	\$1,425,081	(\$109,614)	(\$0.003)	(\$0.003)	\$25,921,487	\$20,803,719	-
2013- Q2	\$1,258,459	(\$287,862)	(\$0.009)	(\$0.009)	\$26,116,230	\$20,558,286	-
2013- Q1	\$ 949,332	(\$271,018)	(\$0.008)	(\$0.008)	\$26,503,400	\$20,985,405	-
Total 2013	\$4,896,159	(\$788,724)	(\$0.024)	(\$0.024)	N/A	N/A	-

WORKING CAPITAL, LONG TERM DEBT AND SHARE CAPITAL

Working Capital

Cash provided by operating activities was \$2.2 million for the year ended December 31, 2015 and \$312,675 for the year ended December 31, 2014. The increase was primarily due to results from operations of assets acquired in fiscal 2015. This increase was partially offset by the incurrence of one-time acquisition and integration costs charged to net income related to the assets purchased in fiscal 2015. As at December 31, 2015, the Corporation had \$2.4 million of cash and short term deposits compared to \$454,468 at December 31, 2014.

Long Term Debt

As at December 31, 2015 and 2014, the Corporation held the following debt:

	December 31, 2015			December 31, 2014		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Term Debt</u>						
Variable Rate	-	-	-	Prime plus 1.00% or BA plus 2.75% <i>Maturity: November 2017</i>	4.00%	1,896,531
<u>Mortgages</u>						
Fixed Rate	3.81% to 5.05% <i>Maturity: March 2018 to August 2020</i>	4.21%	48,269,282	5.00% <i>Maturity: November 2015</i>	5.00%	1,272,496
Variable Rate	Prime plus 1.00% or BA plus 2.75% <i>Maturity: October 2017 to November 2020</i>	4.34%	62,999,553	Prime plus 1.00% or BA plus 2.75% <i>Maturity: November 2017</i>	4.00%	16,244,988
<u>Other</u>						
Defeasance Obligation	1.09% <i>Maturity: August 2016</i>	1.09%	1,438,991	1.09% <i>Maturity: August 2016</i>	1.09%	1,557,200
Deferred financing costs net of accretion of \$259,813 (December 31, 2014 - \$161,125)						
			(1,088,702)			(436,430)
			111,619,124			20,534,785
Less current portion			3,942,906			1,655,266
			107,676,218			18,879,519

The increase of \$91 million is a direct result of the Corporation placing mortgages on properties acquired during fiscal 2015. Mortgages are secured by a first mortgage charge on the properties of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a fixed charge coverage ratio, a tangible net worth ratio and a loan to value ratio. Throughout the year and as of December 31, 2015, the Corporation is in compliance with all covenants.

The defeasance obligation was created in fiscal year 2012, when the Corporation completed the defeasance of a mortgage on one of its' property. The result was a defeasance obligation (liability) of \$1,789,785 at December 31, 2012 being the present value of the remaining payments under the original mortgage at an effective interest rate of 1.09%. The payments made against this obligation were by the principal and interest earnings of Short and Long Term Investments of initially \$1,764,247 in Government of Canada Bonds bearing interest rates ranging from 1.75% and 3.50% and maturities ranging from March 2013 to June 2016. Both the defeasance obligation and the Short and Long Term Investments are held

within 1712066 Alberta Ltd, an entity whose financial statements are consolidated with those of StorageVault Canada Inc. The defeasance obligation matures in August 2016 and will be fully funded with the proceeds of the Short Term Investments of \$1,384,253 as at December 31, 2015.

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

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

2016	\$	3,942,906
2017	\$	56,430,614
2018	\$	15,808,593
2019	\$	1,135,883
2020	\$	35,389,831

Share Capital

In fiscal 2015, the Corporation issued a total of 131,236,776 common shares for \$59,446,088 (fiscal 2014, 3,333,333 common shares valued at \$1,000,000 were issued) mainly to fund the acquisitions. The common shares issued are:

	Number of Shares	Amount
Balance, December 31, 2013	33,355,711	\$ 6,444,600
Issued	3,333,333	1,000,000
Share issuance costs	-	(23,276)
Balance, December 31, 2014	36,689,044	\$ 7,421,324
Issued on asset acquisitions	89,696,085	38,395,282
Conversion of preferred shares	15,203,657	4,561,097
Private placement	26,337,034	17,119,072
Share issuance costs	-	(629,363)
Balance, December 31, 2015	167,925,820	\$ 66,867,412

Stock Options and Warrants

A total of 8,561,000 options were outstanding as at December 31, 2015 (December 31, 2014 – 3,600,000). Of the outstanding amount, 8,561,000 options were exercisable (December 31, 2014 – 3,600,000). The details are as follows:

Exercise Price	Vesting Date	Expiry Date	Outstanding December 31, 2015	Outstanding December 31, 2014
\$0.20	Nov 5, 2007	Nov 5, 2017	1,000,000	1,000,000
\$0.23	May 6, 2009	May 6, 2019	2,200,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	400,000	400,000
\$0.40	Jan 27, 2015	Jan 27, 2025	60,000	nil
\$0.41	April 28, 2015	April 28, 2025	2,901,000	nil
\$0.50	Sept 14, 2015	Sept 14, 2025	2,000,000	nil
			8,561,000	3,600,000

Warrants outstanding are as follows:

Exercise Price	Expiry Date	Outstanding December 31, 2015	Outstanding December 31, 2014
\$0.35	Feb 25, 2018	249,999	249,999
\$0.37	Feb 25, 2018	2,833,334	2,833,334
		3,083,333	3,083,333

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.

Preferred Shares

By the rights provided to the investors, the preferred shares were converted at \$0.30 for 15,203,657 common shares on October 6, 2015. The preferred shares paid 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.

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2013	4,360,175	\$ 4,360,175
Dividends paid	110,030	110,030
Balance, December 31, 2014	4,470,205	\$ 4,470,205
Dividends paid	90,892	90,892
Converted to common shares	(4,561,097)	(4,561,097)
Balance, December 31, 2015	-	\$ -

ACQUISITIONS IN FISCAL 2015

During the year, the Corporation completed the below transactions that all met the definition of business combination under IFRS 3 – Business Combinations. Each acquisition was accounted for using the acquisition method with the results of the operations being included in the financial statements of the Corporation since the date of acquisition. The acquisitions are:

Acquisition 1

On April 28, 2015, the Corporation acquired four self storage locations, portable storage units, vehicles and chattels for \$26,475,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 30,211,529 Common Shares (valued at \$11,480,381), with the balance satisfied in cash on hand or first mortgage financing.

Acquisition 2

On September 11, 2015 the Corporation completed the acquisition of four self storage locations. The acquisition was an arm's length transaction. The purchase price was \$52,466,000 (subjected to customary adjustments), of which \$10,000,000 was paid by the issuance of 20,000,000 Common Shares (valued at \$10,000,000), with the balance satisfied in cash on hand or first mortgage financing.

Acquisition 3

On October 7, 2015 the Corporation completed the acquisition of three self storage locations for \$27,155,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 32,407,635 Common Shares (valued at \$12,314,901), with the balance satisfied by the assumption of a mortgage in the amount of \$4,730,964, first mortgage financing and cash on hand.

Acquisition 4

On December 9, 2015 the Corporation completed the acquisition of three self storage locations for \$7,800,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the issuance of 230,769 Common Shares (valued at \$150,000), with the balance satisfied in cash on hand or first mortgage financing.

Acquisition 5 and 6

On December 16 and 30, 2015 the Corporation completed the acquisitions of four self storage locations for \$24,375,000 (subjected to customary adjustments). The acquisitions were a related party transaction. The purchase price was paid for by the issuance of 6,846,153 Common Shares (valued at \$4,450,000), with the balance satisfied in cash on hand or first mortgage financing.

Acquisition 7

On December 31, 2015 the Corporation completed the acquisition of one self storage location for \$5,600,000 (subjected to customary adjustments). The acquisition was an arm's length transaction. The purchase price was paid for by the assumption of a mortgage in the amount of \$3,075,000 and the balance by cash on hand.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Operating Lease Commitments

The Corporation leases lands in Winnipeg, MB and Kamloops, BC on which its buildings are situated. The lease does not contain any contingent rent clauses. It does not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, these leases are considered operating leases as the risk and reward of ownership of the lands remain with the landlords. The leases expire between 2027 and 2054, with the lease that is expiring in 2027 having up to 20 years of renewals at the option of the Corporation after that time.

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

Less than one year	\$ 149,882
Between one and five years	605,167
More than five years	<u>2,308,009</u>
	\$ 3,063,058

Contingency

The Corporation has no legal contingency provisions at either December 31, 2015 or December 31, 2014.

Off-Balance Sheet Arrangements

The Corporation is not party to any industry contracts or arrangements other than the contractual arrangement noted in "Related Party Transactions" below.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Corporation paid total management fees of \$160,414 (December 31, 2014 - \$280,927) to Detteson Management Inc. ("Detteson"), a corporation controlled by Alan A. Simpson and Glenn E. Fradette, who were directors and officers of the Corporation to April 28, 2015. Pursuant to a management agreement, Detteson was entitled to a base management fee of \$168,000 per year commencing May 1, 2011, subject to an annual increase of 3% on May 1 of each subsequent year as well as an annual performance fee of 4% of Net Operating Income if the Corporation attains 85% or greater of its annual board-approved budgeted Net Operating Income for that fiscal year. The portion of management fees paid in the year ended December 31, 2015, for performance fee relating to the prior fiscal year was \$99,221 (December 31, 2014 - \$99,131). During the year ended December 31, 2015, the Corporation reimbursed travel and related expenses of \$36,625 (December 31, 2014 - \$52,724) to Detteson. These expenses, which were reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

On April 28, 2015, this management agreement was acquired by Access Results Management Services Inc. ("ARMS"). At that time, Alan A. Simpson ceased to be an officer of the Corporation and Glenn E. Fradette ceased to be an officer and director of the Corporation. Concurrently, Steven Scott and Iqbal Khan, who control ARMS, became officers and directors of the Corporation. During the year ended December 31, 2015, the Corporation incurred total management fees of \$376,057 (December 31, 2014 - \$nil) to ARMS. Prior to April 28, 2015, operational wages were paid directly by the Corporation. After, the operational wages were paid by ARMS and reimbursed by the Corporation at cost. During the year ended December 31, 2015, the Corporation reimbursed operational wages of \$1,840,941 and travel and

related expenses of \$59,819 (December 31, 2014 - \$nil and \$nil, respectively) to ARMS. These expenses were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2015, the Corporation paid loan guarantee fees of \$8,712 (December 31, 2014 - \$8,712) to Alan A. Simpson and loan guarantee fees of \$8,712 (December 31, 2014 - \$8,712) to Glenn E. Fradette, both of whom were directors and officers of the Corporation. As a condition of the assumption of a mortgage, both Alan A. Simpson and Glenn E. Fradette were required to provide personal guarantees for the entire outstanding principal balance of the mortgage. The loan guarantee fees are compensation for the provision of these guarantees and are paid on a monthly basis at the annual rate of 0.5% of the original mortgage principal, per person.

During the year ended December 31, 2015, the Corporation purchased \$24,375,000 of self storage assets from Corporations affiliated with directors and officers of the Corporation. See Acquisition in Fiscal 2015, Acquisition 5 & 6 for further information on this transaction. See Governance section for the Corporation's Acquisition Committee and Acquisition Committee Mandate for related party asset 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 and officers of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the year ended December 31, 2015, the Corporation paid \$145,664 (December 31, 2014 - \$105,071) for royalties and \$1,472,143 (December 31, 2014 - \$1,914,016) for storage units and other equipment under the Master Franchise Agreement.

Included in accounts payable and accrued liabilities, relating to the previously noted transactions, at December 31, 2015 was \$44,502 (December 31, 2014 - \$61,262) payable to CPFI; \$nil (December 31, 2014 - \$3,299) payable to Detteson; and \$365,483 (December 31, 2014 - \$nil) payable to ARMS.

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

	Year ended <u>December 31, 2015</u>	Year ended <u>December 31, 2014</u>
Wages, salaries, management fees, bonuses, directors fees and benefits	\$ 628,834	\$ 305,980
Stock based compensation	<u>406,292</u>	<u>103,200</u>
	<u>\$ 1,035,126</u>	<u>\$ 409,180</u>

ACQUISITION COMMITTEE AND ACQUISITION COMMITTEE MANDATE

The Corporation may, from time to time, purchase assets from parties related to the Corporation, and in particular, assets or shares owned or controlled by management of the Corporation or Access Self Storage Inc. (Access) or any of its subsidiaries or affiliates. To govern such potential related party transactions the Corporation has established an Acquisition Committee and an Acquisition Committee Mandate.

As at December 31, 2015, the Acquisition Committee is comprised of eight voting members, six members being independently appointed and independent of management and two of which are appointed by Access. Acquisition Committee members who are deemed to be in a conflict of interest position with respect to related party transactions are required to abstain from voting on such related party transactions.

The mandate of the Corporation's Acquisition Committee is to review, evaluate, and approve the terms of all acquisition transactions proposed in the context of the current strategic direction of the Corporation. In particular, and with respect to all related party transactions, the Acquisition Committee has the authority to appoint appraisers, environmental consultants, and professional advisors to evaluate and report to the Acquisition Committee on the suitability of such transactions. Thereafter, the Acquisition Committee provides its recommendation as to whether the Board of Directors should approve an acquisition.

The Board of Directors of the Corporation must accept the recommendations that the Acquisition Committee may make with respect to any related party transaction, and in particular, an acquisition that includes the acquisition of assets or shares of Access or any of its subsidiaries or affiliates.

ACCOUNTING POLICIES

The Corporation's significant accounting policies are summarized in Note 3 to the consolidated annual financial statements. There has been no change in significant accounting policies from the Corporation's audited consolidated annual financial statements from December 31, 2014. In addition, there has been no change in the Company's financial instrument risks.

Non-IFRS Financial Measures

Management uses both IFRS and Non-IFRS Measures to assess the operating performance of the Company's operations. In this MD&A, management uses the following terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other companies:

- i. Net Operating Income ("NOI") – NOI is defined as storage and related services less related property operating costs. NOI does not include interest expense or income, depreciation and amortization, corporate administrative costs, stock based compensation costs or taxes. NOI assists management in assessing profitability and valuation from principal business activities.
- ii. Funds from Operations ("FFO") – FFO is defined as net income (loss) excluding gains or losses from the sale of depreciable real estate, plus depreciation and amortization, stock based compensation expenses, and deferred income taxes; and after adjustments for equity accounted entities and non-controlling interests. FFO should not be viewed as an alternative to cash from operating activities, net income, or other measures calculated in accordance with IFRS. The Corporation believes that FFO can be a beneficial measure, when combined with primary IFRS

measures, to assist in the evaluation of the Corporation's ability to generate cash and evaluate its return on investments as it excludes the effects of real estate amortization and gains and losses from the sale of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance.

- iii. Existing Self Storage and New Self Storage performance – "Existing Self Storage" are defined as those that the Corporation has owned or leased for the entirety of the 2015 and 2014 fiscal years. "New Self Storage" are those that have not been owned or leased continuously since the beginning of the previous fiscal year. We believe the use of this metric combined with primary IFRS measures is beneficial in understanding the full operating performance of our operations during a growth period. Comparative figures for the New Self Storage and Existing Self Storage categories may differ from amounts reported in previous MD&A reports.

Recent and Future Accounting Pronouncements

The Corporation adopted amendments to IFRS 8 and IAS 24 on January 1, 2015. There was no material impact to the Corporation's consolidated annual financial statements as a result of the adoption of those standards.

Future Accounting Pronouncements

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

IFRS 15, "Revenue from contracts with customers"

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Corporation has not yet considered the impact of IFRS 15 on its consolidated financial statements.

IFRS 9, "Financial instruments"

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Corporation has not yet considered the impact of IFRS 9 on its consolidated financial statements.

IFRS 16, "Leases"

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Corporation has not yet considered the impact of IFRS 16 on its consolidated financial statements.

Disclosure Controls and Procedures

Pursuant to National Instrument 52-109, which requires certification of disclosure in an issuer's annual and interim filings, the Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Corporation's internal disclosure controls and procedures for the year ended December 31, 2015, including the design of internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting in accordance with IFRS. These officers have concluded that the Corporation's disclosure controls and procedures are designed effectively to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed and reported within the time specified in those rules.

There have been no changes in the Corporation's internal controls over financial reporting that have materially affected or are reasonably likely to affect the Corporation's internal controls over financial reporting for the year ending December 31, 2015.

RISKS AND UNCERTAINTIES

As our primary business consists of owning and operating storage real estate, we are exposed to risks related to such ownership and operations that can adversely impact our business and financial position. The following is a brief review of some of the potential risks and the potential impacts these risks and uncertainties may have on the operations of the Corporation:

Real Estate Industry

Real estate investments are subject to varying degrees of risk depending on the nature of each property. Such investments are affected by general economic conditions, local real estate markets, supply and demand for rental space, competition from others with similar developments, the perceived "attractiveness" of a given property and various other factors.

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.

Refinancing Risk

There is no certainty that financing will be available upon the maturity of any existing mortgage at terms that are as favorable as the expiring mortgage, or at all. If the Corporation is unable to refinance an existing indebtedness on favorable terms, the Corporation may need to dispose of one or more properties on disadvantageous terms. Prevailing interest rates, limited availability of credit or other factors at the time of refinancing could increase interest expense and ultimately decrease the return to investors.

Economic Conditions

Even though storage is less susceptible to changes in the local economy, as storage space is often needed during times of both growth and recession, downturns in a local economy could negatively affect our revenues and NOI. A significant portion of storage customers use storage during periods of moving from one residence to another or when a residence is being renovated. In times of economic downturn, the level of activity in housing sales and housing renovation could decrease, thereby decreasing storage rental demand.

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, to the extent that hazardous materials enter the environment. The presence of hazardous substances could also impair the Corporation's ability to finance or sell the property, and might expose the Corporation to civil law suits. To mitigate such risk, the Corporation procures recent or updated environmental reports for all acquisitions to ascertain the risk, if any, that exist at a property. It also prohibits the storage of hazardous substances as a condition of the rental contract signed by customers.

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 customer.

Other Self Storage Operators or Storage Alternatives

The Corporation competes with other individuals, corporations and institutions which currently own, or are anticipating owning a similar property in a given region. Competitive forces could have a negative effect on occupancy levels, rental rates or operating costs such as marketing.

Acquisition of Future Locations

Competition also exists when the Corporation attempts to grow through acquisitions of storage locations. An increase in the availability of investment funds in the general market, and a subsequent increase in demand for storage locations would have a tendency to increase the price for future acquisitions of storage locations and reduce the yields thereon.

Anticipated Results from New Acquisitions

The realization of anticipated results and value from acquisitions can be jeopardized from unexpected circumstances in integrating new stores into our existing operations, from situations we did not detect during our due diligence or from increased property tax following reassessment of newly acquired locations.

Increase in Operating Costs

Our operating margins can be negatively impacted from increases in operating costs such as property tax, staffing costs, insurance premiums, repairs and maintenances costs, utility costs and others due to various factors such as the need for governments to raise funds, natural disasters, commodity and energy prices.

Climate and Natural Disasters

The storage industry in Canada can be cyclical. Due to the climate, demand for storage is generally weaker in winter months with an increase in operating costs resulting in potentially lower NOI during Q1 and Q4.

Natural disasters, such as floods, earthquakes or severe winter storms may result in damage and business interruption losses that are greater than the aggregate limits of our insurance coverage. We maintain a comprehensive insurance policy to cover such events, however some insurance coverage may be or become unavailable or cost prohibitive.

Litigation

Legal claims may arise from the ordinary course of our business. Resolution of these claims would divert resources from the Corporation such cash to pay expenses and damages and the diversion of management's time and attention from the Corporation's business. The impact and results from litigation cannot be predicted with certainty and can have a material adverse effect on the business.

Use and Dependency on Information Technology Systems

Our business is heavily dependent on the use of information technology, with the majority of our new customers communicating and transacting with us electronically or over the phone. Commerce over the internet and the nature of our business requires us to retain private information about our customers. Significant aspects of these systems are centrally managed, such as our financial information and some are managed by third party vendors. These systems may be subject to telecommunication failures, cyber-attack, computer worms and viruses and other disruptive security breaches. All of which could materially impact our operations, resulting in additional costs and or in legal action either by governments agencies or private individuals.

StorageVault Canada Inc.

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Regina, SK

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