

StorageVault Canada Inc.
Consolidated Financial Statements

For the Years ended December 31, 2017 and 2016

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.

March 31, 2018

"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 statement of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of income (loss) and comprehensive income (loss) and cash flows for the years then ended, and 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 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 financial position of StorageVault Canada Inc. as at December 31, 2017, December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Calgary, Alberta
March 31, 2018

MNP LLP
Chartered Professional Accountants

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

	2017	2016
Assets		
Real estate and equipment, net (Note 5)	\$ 780,024,751	\$ 325,491,723
Goodwill and intangible assets, net (Note 6)	72,060,892	3,425,090
Cash and short term deposits	16,152,428	11,869,892
Investment in Joint Venture (Note 14)	14,635,305	-
Prepaid expenses and other current assets	8,710,680	662,080
Accounts receivable	3,912,325	1,354,796
	\$ 895,496,381	\$ 342,803,581
Liabilities and Shareholders' Equity		
Long term debt (Note 7)	\$ 230,945,255	\$ 164,023,513
Lines of credit (Note 7)	332,153,083	18,483,081
Deferred tax liability (Note 10)	49,156,628	-
Accounts payable and accrued liabilities	10,784,409	3,406,008
Unearned revenue	4,381,889	1,202,785
	627,421,264	187,115,387
Shareholders' Equity		
Share capital (Note 8)	319,571,781	185,768,388
Dividends paid (Note 8)	(5,070,304)	(1,795,638)
Contributed surplus (Note 8)	3,540,210	2,243,239
Deficit	(49,966,570)	(30,527,795)
	268,075,117	155,688,194
	\$ 895,496,381	\$ 342,803,581
Commitments and Contingencies (Note 15)		
Subsequent Events (Note 16)		

Approved on behalf of the Board:

"signed" Steven Scott
 Director

"signed" Iqbal Khan
 Director

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

	2017	2016
Common Share Capital		
Balance, beginning of the period	\$ 185,768,388	\$ 66,867,412
Common shares issued, net of issuance costs (Note 8)	134,303,177	118,973,026
Common shares repurchased (Note 8)	(499,784)	(72,050)
Balance, end of the period	319,571,781	185,768,388
Contributed Surplus		
Balance, beginning of the period	\$ 2,243,239	\$ 1,034,865
Retirement of stock options and warrants (Note 8)	(237,315)	-
Stock based compensation (Note 8)	1,534,286	1,208,374
Balance, end of the period	3,540,210	2,243,239
Deficit		
Balance, beginning of the period	\$ (30,527,795)	\$ (9,338,359)
Retirement of stock options and warrants	(5,586,143)	-
Net income (loss) and Comprehensive income (loss)	(13,852,632)	(21,189,436)
Balance, end of the period	\$ (49,966,570)	\$ (30,527,795)

StorageVault Canada Inc.**Consolidated Statements of Income (Loss) & Comprehensive Income (Loss)****For the Years Ended December 31**

	2017	2016
Revenue		
Storage and related services	\$ 60,671,031	\$ 27,824,544
Management fees	1,217,483	-
	61,888,514	27,824,544
Expenses		
Operating costs	21,294,478	10,800,018
Acquisition and integration costs	5,373,955	1,928,429
Selling, general and administrative	4,038,559	2,240,692
Stock based compensation (Note 8)	1,534,286	1,208,374
Share of loss in joint venture (Note 14)	157,278	-
Depreciation, amortization and goodwill	38,608,471	27,328,122
Interest	15,639,157	5,508,345
	86,646,184	49,013,980
Net income (loss) and Comprehensive income (loss) before tax	\$ (24,757,670)	\$ (21,189,436)
Deferred tax recovery (Note 10)	10,905,038	-
Net income (loss) and Comprehensive income (loss) after tax	\$ (13,852,632)	\$ (21,189,436)
Net income (loss) per common share		
Basic	\$ (0.044)	\$ (0.104)
Diluted	\$ (0.044)	\$ (0.104)
Weighted average number of common shares outstanding		
Basic	317,487,007	204,660,864
Diluted	317,487,007	204,660,864

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

	2017	2016
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss) and comprehensive income (loss) after tax	\$ (13,852,632)	\$ (21,189,436)
Adjustment for non-cash items:		
Deferred tax recovery (Notes 10)	(10,905,038)	-
Depreciation, amortization and goodwill adjustment (Notes 5, 6)	38,608,471	27,328,122
Amortization of deferred financing costs	740,866	376,164
Amortization of bond premiums	-	5,253
Stock based compensation (Note 8)	1,534,286	1,208,374
Gain on disposal of real estate and equipment	(147,910)	(221,675)
Cash flow from operations before non-cash working capital balances	15,978,043	7,506,802
Net change in non-cash working capital balances		
Accounts receivable	(1,664,429)	(113,330)
Prepaid expenses and other current assets	(6,871,244)	(391,490)
Accounts payable and accrued liabilities	3,066,967	1,699,526
Unearned revenue	91,461	881,901
	10,600,798	9,583,409
Financing activities		
Common shares issued, net of issuance costs (Note 8)	83,471,772	59,841,873
Repurchase of common shares (Note 8)	(499,785)	(72,050)
Dividends paid	(2,394,337)	(743,342)
Advances from long term debt and lines of credit	483,553,119	81,454,290
Repayment of long term debt and lines of credit	(103,702,241)	(10,736,723)
Cancellation of share options and warrants	(5,823,458)	1,373,074
	454,605,070	131,117,122
Investing activities		
Cash paid in business combinations (Note 4)	(457,532,033)	(127,903,000)
Additions to real estate and equipment (Note 5, 6)	(5,185,319)	(2,952,792)
Non-operating accounts receivable	-	(675,712)
Proceeds on disposal of real estate and equipment	1,794,020	319,475
	(460,923,332)	(131,212,029)
Increase in cash and short term deposits	4,282,536	9,488,502
Cash and short term deposits balance, beginning of period	11,869,892	2,381,390
Cash and short term deposits balance, end of period	\$ 16,152,428	\$ 11,869,892

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

1. Description of Business

The consolidated financial statements of StorageVault Canada Inc. and its subsidiary (the "Corporation") as at December 31, 2017 were authorized for issuance by the Board of Directors of the Corporation on March 31, 2018. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange ("Exchange"). The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

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

2. Basis of Presentation

These 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") effective as at January 1, 2017.

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., its wholly owned subsidiary, Sentinel Self-Storage Corporation, and the consolidated entity 1712066 Alberta Ltd. ("1712066"), all of which are headquartered in Toronto, ON. The financial statements for the consolidated entities are prepared for the same reporting period as StorageVault Canada Inc. using consistent accounting policies. All intercompany transactions and balances have been eliminated in the preparation of these 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 results in StorageVault Canada Inc. receiving the majority of the benefits related to its operations and net assets, being exposed to the majority of the risks incident to its activities, and retaining the majority of the residual or ownership risks related to its assets. The entity was dissolved on January 19, 2017.

Note 3 – Continued

Interest in Joint Venture

The Corporation has an interest in a joint venture, through its wholly owned subsidiary Sentinel Self-Storage Corporation, Spyhill Ltd. ("JV"), which is a jointly controlled entity. The Corporation recognizes its interest in the JV using the equity method of accounting.

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

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

Note 3 – Continued

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

Significant Accounting Estimates and Judgments

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

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

- Real estate and equipment – The Corporation determines the carrying value of its real estate and equipment based on policies that incorporate estimates, assumptions and judgments relative to the useful lives and residual values of the assets.
- Impairment of non-financial assets - Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The estimated future cash flows are derived from management estimates, budgets and past performance and do not include activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.
- Purchase price allocations – Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. These estimates may be further based on management's best assessment of the related inputs used in valuation models, such as future cash flows and discount rates.
- 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.
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Note 3 – Continued

- Income taxes - Income taxes are subject to measurement uncertainty due to the possibility of changes in tax legislation or changes in the characterization of income sources.
- Stock based compensation – Compensation costs accrued for stock based compensation plans are subject to the estimation of the ultimate payout using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

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

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.
- The determination of which entities require consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of a subsidiary or other entity requiring consolidation.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a business. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.
- The Corporation applies judgment in determining control over the JV where the Corporation holds 50% equity ownership. The judgment is based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the JV. Through a shareholder agreement, the Corporation is guaranteed 50% of seats on the board of the JV and participates in all significant financial and operating decisions. Joint control is established by the shareholder arrangement that requires unanimous agreement on decisions made on relevant activities.
- Management has applied judgment in assessing that the management contracts acquired have an indefinite useful life because the Corporation purchased a complete system to operationally manage its own business and that of other self storage businesses. The Corporation has acquired substantial know how and expertise in managing stores owned by third parties, including long term relationships, which the Corporation will have the benefit of for an indefinite period of time. The management contracts have therefore been deemed to have an indefinite useful life.

Cash and Short Term Deposits

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

Real Estate and Equipment

Real Estate and Equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will

Note 3 – Continued

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 real estate and equipment to their residual values over their estimated useful lives, as follows:

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

The residual value and useful lives of real estate and equipment are reviewed, and adjusted if appropriate, at each 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 Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Infinite life intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows: Franchise Agreements - 10 years; Tenant Relationships – 22 to 48 months; Website Development Costs – 12 months.

Note 3 – Continued

Indefinite life intangible assets, consisting of management contracts, are carried at cost and are not amortized.

Goodwill and indefinite life intangibles are reviewed for impairment annually by assessing the recoverable amount of each CGU to which it relates, where applicable. The recoverable amount is the higher of fair value less costs of disposal, and value in use. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Any impairment is recognized immediately in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

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 real estate 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.

Income Taxes

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

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

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

Note 3 – Continued

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

Stock Based Compensation

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

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

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

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

Income (Loss) per Share

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

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 and or CFO in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Financial Instruments

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.

Note 3 – Continued

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

Available-for-sale financial assets

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

The Corporation currently has no assets which are designated as held-to-maturity.

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. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Financing fees and other costs incurred in connection with debt financing are deducted from the cost of the debt and amortized using the effective interest method.

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

Note 3 – Continued

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 completed its assessment of the impact of IFRS 15. The assessment indicates that the revenue recognition for the Corporation will remain unchanged.

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 completed its assessment of the impact of IFRS 9 on its financial statements and is not expecting any reclassifications to occur during the transition to IFRS 9, or thereafter. The Corporation will assess on a case by case basis, as needed, in the future. The corporation will adopt this standard as of January 1, 2018.

IFRS 16, "Leases"

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

4. Acquisitions

During the year ended December 31, 2017, the Corporation completed the below transactions that met the definition of a business under IFRS 3 – Business Combinations. These acquisitions have been accounted for using the acquisition method with the results of the operations being included in the consolidated financial statements of the Corporation since the date of acquisition. At the time the financial statements were authorized for issue, the Corporation had not yet completed the accounting for the acquisitions 5 to 9. In particular, the purchase allocations of the fair values of the assets acquired and consideration paid disclosed below have only been determined provisionally as the valuations have not been finalized. Details of the acquisitions are:

Acquisition 1:

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

A summary of the assets acquired are as follows:

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

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

Cash	<u>7,400,000</u>
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Selected information for the acquisition, since its acquisition date:

Revenue	798,892
Operating costs	<u>299,558</u>
	499,334
Amortization	546,883
Interest	<u>130,803</u>
Net income (loss)	<u>(178,352)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 4 – Continued

Acquisition 2:

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

A summary of the assets acquired are as follows:

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

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

Advances from long term debt	1,539,488
Issuance of common shares (147,058 shares)	326,470
Cash	1,010,512
	<u><u>2,876,470</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	237,388
Operating costs	100,678
	<u>136,710</u>
Amortization	241,452
Interest	32,938
Net income (loss)	<u><u>\$ (137,680)</u></u>

Note 4 – Continued

Acquisition 3:

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

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

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

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

Advances from long term debt	12,969,242
Issuance of common shares (2,666,667 shares)	5,920,000
Cash	5,030,758
	<u><u>23,920,000</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	1,563,179
Operating costs	727,870
	<u>835,309</u>
Amortization	1,482,342
Interest	465,652
Net income (loss)	<u><u>\$ (1,112,685)</u></u>

StorageVault Canada Inc.**Notes to the Consolidated Financial Statements**For the Years Ended December 31, 2017 and 2016

Note 4 – ContinuedAcquisition 4:

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

A summary of the assets acquired are as follows:

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

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

Issuance of common shares (6,470,588 shares)	14,364,706
Promissory note	5,000,000
	<u>19,364,706</u>

Selected information for the acquisition, since its acquisition date:

Revenue	1,217,483
Operating costs	-
Net income (loss)	<u>\$ 1,217,483</u>

The promissory note of \$5,000,000 was repaid during the year.

Note 4 – Continued

Acquisition 5:

On June 22, 2017 the Corporation completed the acquisition of one self storage location for \$8,000,000. The acquisition was an arm's length transaction. The purchase price was paid for by cash on hand.

A summary of the assets acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 7,339,387
Tenant Relationships	660,613
Net Assets Acquired	<u>8,000,000</u>

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

Cash	<u>8,000,000</u>
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Selected information for the acquisition, since its acquisition date:

Revenue	293,898
Operating costs	<u>175,061</u>
	118,837
Amortization	331,575
Interest	<u>10,946</u>
Net income (loss)	<u>\$ (223,684)</u>

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

Acquisition 6:

On July 31, 2017 the Corporation completed a share acquisition of Sentinel Self-Storage Corporation which included 24 self-storage locations for a stated purchase price of \$396,600,000 adjusted for working capital and deferred tax assumed and inherent in the transaction, for a total consideration of \$395,495,190. The acquisition was an arm's length transaction. The purchase was paid for by cash, issuance of shares, credit line and mortgage financing.

A summary of the assets acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 370,806,259
Tenant Relationships	29,944,436
Investment in Joint Venture	12,058,338
	<u>412,809,033</u>
Working capital adjustment	(4,228,403)
Deferred tax	(60,061,685)
Goodwill	46,976,245
Net Assets Acquired	<u><u>395,495,190</u></u>

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

Cash advances from long term debt	367,330,269
Issuance of common shares (11,764,706 shares)	27,058,824
Additional payments	1,106,097
	<u><u>395,495,190</u></u>

Selected information for the acquisition, since its acquisition date:

Revenue	12,206,800
Operating costs	3,164,421
	<u>9,042,379</u>
Amortization	8,640,387
Interest	5,141,590
Net income (loss)	<u><u>\$ (4,739,598)</u></u>

StorageVault Canada Inc.**Notes to the Consolidated Financial Statements**For the Years Ended December 31, 2017 and 2016

Note 4 – ContinuedAcquisition 7:

On August 11, 2017 the Corporation completed the acquisition of six self storage locations for \$34,225,000. The acquisition was a non-arm's length transaction. The purchase price was paid for by the issuance of common shares, long term debt and cash on hand.

A summary of the assets acquired are as follows:

Land, Yards, Buildings & Improvements	\$29,664,911
Tenant Relationships	4,560,089
Net Assets Acquired	<u>34,225,000</u>

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

Advances from long term debt	4,461,565
Issuance of common shares (714,286 shares)	2,000,000
Cash	27,763,435
	<u>34,225,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	1,234,030
Operating costs	<u>457,517</u>
	776,513
Amortization	1,115,862
Interest	<u>101,858</u>
Net income (loss)	<u>\$ (441,207)</u>

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

Acquisition 8:

On August 31, 2017 the Corporation completed the acquisition of one self storage location for \$ 8,600,000. The acquisition was an arm's length transaction paid for by the issuance of common shares and cash on hand.

A summary of the assets acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 7,740,405
Tenant Relationships	859,595
Net Assets Acquired	<u>8,600,000</u>

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

Issuance of common shares (200,000 shares)	500,000
Cash	8,100,000
	<u>8,600,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	302,364
Operating costs	121,871
	<u>180,493</u>
Amortization	253,132
Interest	131,132
Net income (loss)	<u>\$ (203,771)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 4 – Continued

Acquisition 9:

On November 16, 2017 the Corporation completed the acquisition of one self storage location for \$5,825,000 (subjected to customary adjustments). The acquisition was an arm's length transaction paid for by the issuance of common shares and cash on hand.

A summary of the assets acquired are as follows:

Land, Yards, Buildings & Improvements	\$ 4,934,052
Tenant Relationships	890,948
Net Assets Acquired	<u>5,825,000</u>

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

Issuance of common shares (394,191 shares)	950,000
Cash	4,875,000
	<u>5,825,000</u>

Selected information for the acquisition, since its acquisition date:

Revenue	63,728
Operating costs	<u>32,532</u>
	31,196
Amortization	45,575
Interest	-
Net income (loss)	<u>\$ (14,379)</u>

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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5. Real Estate and Equipment

	Land, Yards, Buildings & <u>Improvements</u>	Storage <u>Containers</u>	Intangible Tenant <u>Relationships</u>	<u>Vehicles</u>	Office & Computer <u>Equipment</u>	<u>Total</u>
COST						
December 31, 2015	138,559,676	10,862,211	21,231,859	4,571,354	795,087	176,020,187
Additions	459,618	1,905,663	-	420,813	166,698	2,952,792
Disposals	(3,009,383)	(724,396)	(569,390)	(450,207)	(5,630)	(4,759,006)
Business acquisitions	158,490,067	295,000	19,376,266	-	225,000	178,386,333
December 31, 2016	294,499,978	12,338,478	40,038,735	4,541,960	1,181,155	352,600,306
Additions	3,932,281	364,712	-	385,443	502,883	5,185,319
Disposals	(1,687,946)	-	-	(34,323)	(443)	(1,722,712)
Business acquisitions	447,252,899	-	42,222,792	-	125,000	489,600,691
December 31, 2017	743,997,212	12,703,190	82,261,527	4,893,080	1,808,595	845,663,604
ACCUMULATED DEPRECIATION						
December 31, 2015	5,178,496	2,944,204	2,404,405	1,795,626	235,530	12,558,261
Depreciation	7,175,565	697,484	6,711,976	920,348	149,895	15,655,268
Disposals	(69,674)	(450,710)	(221,159)	(362,262)	(1,141)	(1,104,946)
December 31, 2016	12,284,387	3,190,978	8,895,222	2,353,712	384,284	27,108,583
Depreciation	21,912,620	928,054	14,778,113	738,781	249,303	38,606,871
Disposals	(43,482)	-	-	(33,097)	(22)	(76,601)
December 31, 2017	34,153,525	4,119,032	23,673,335	3,059,396	633,565	65,638,853
NET BOOK VALUE						
December 31, 2016	282,215,591	9,147,500	31,143,513	2,188,248	796,871	325,491,723
December 31, 2017	709,843,687	8,584,158	58,588,192	1,833,684	1,175,030	780,024,751

Included in Land, Yards, Buildings & Improvements is Land at a value of \$245,377,231 (December 31, 2016 - \$89,613,407).

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
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6. Goodwill and Intangible Assets

	Other Intangible Assets				
	Goodwill	Management Contracts	Franchise Agreements	Website Development	Total
COST					
December 31, 2015	3,423,490	-	20,000	23,172	3,466,662
Additions	11,670,454	-	-	-	11,670,454
Write down	(11,670,454)	-	-	-	(11,670,454)
December 31, 2016	3,423,490	-	20,000	23,172	3,466,662
Additions	-	300,000	-	-	300,000
Business acquisitions (Note 4)	52,337,402	16,000,000	-	-	68,337,402
December 31, 2017	55,760,892	16,300,000	20,000	23,172	72,104,064
ACCUMULATED AMORTIZATION					
December 31, 2015	-	-	16,000	23,172	39,172
Amortization	-	-	2,400	-	2,400
December 31, 2016	-	-	18,400	23,172	41,572
Amortization	-	-	1,600	-	1,600
December 31, 2017	-	-	20,000	23,172	43,172
NET BOOK VALUE					
December 31, 2016	3,423,490	-	1,600	-	3,425,090
December 31, 2017	55,760,892	16,300,000	-	-	72,060,892

The goodwill of \$52,337,402 recognized during the year ended December 31, 2017 relates to the acquisitions completed during the year (see Note 4).

In the Corporation's nine month interim financial statements, the Corporation incorrectly determined that the goodwill impairment test was triggered at the acquisition dates and recorded a \$12,420,000 impairment. The goodwill impairment test that was performed at the acquisition dates should have been performed at the year end. The goodwill impairment originally taken was not as a result of IFRS as had been previously stated. The impact of this reversal of the \$12,420,000 goodwill impairment on the 2017 financial statements is to reinstate the previously recognized goodwill of \$12,420,000 and reduce the cumulative loss by \$12,420,000 from what was previously recorded.

Note 6 – Continued

As at December 31, 2017, the Corporation performed its annual impairment test on goodwill and its indefinite-life intangible assets. Goodwill is allocated to the group of CGU's that benefited from the synergies of the business combination on which the goodwill arose. The Corporation used the fair value less costs of disposal method to determine the recoverable amount of the CGUs. Based on the impairment test performed, the Corporation concluded that no impairment exists on its goodwill and indefinite-life intangible assets.

Information regarding each impairment test is as follows:

Manitoba and Saskatchewan group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a growth rate of 2% which is consistent with management's knowledge of the local market and is lower than the CGU's recent historical growth rate.
- Cash flows were discounted at a pre-tax rate of 6.73% based on management's experience in this geographic region.

Kamloops, BC group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a growth rate of 4%. The Corporation has seven stores in the region and is able to disburse costs and operate more efficiently.
- Cash flows were discounted at a pre-tax rate of 8.78% based on management's experience in this geographic region and the fact that the properties are on leased land.

London, ON group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the property, with a growth rate of 2% which is consistent with management's knowledge of the local market.
- Cash flows were discounted at a pre-tax rate of 6.73% based on management's experience in this geographic region.

Sentinel Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of the properties, with a growth rate of 4%. Given the location of the stores in this portfolio, over 20 stores in major markets and highly desirable locations in Canada, management believes that this growth rate is sustainable.
- Cash flows were discounted at a pre-tax rate of 6.38% based on management's experience and the superior quality and location of these properties.

Note 6 – Continued

Portable Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of storage containers, with a growth rate of 7% based on management's experience and the exclusive marketing channels the Corporation has for this product type.
- Cash flows were discounted at a pre-tax rate of 6.89% based on management's experience in these markets.

Management Division group of CGU

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

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

- A 1% decrease in the growth rate would only result in an impairment of the Sentinel Storage group of CGU's of \$14,427,448.
- A 1% decrease in the discount rate would only result in an impairment of the Sentinel Storage group of CGU's of \$12,002,417.

Group of CGU's	Goodwill	Carrying Value	Recoverable Amount
Manitoba and Saskatchewan	2,621,716	30,450,978	34,373,217
Kamloops, BC	76,470	8,928,408	11,553,794
London, ON	142,807	2,280,789	4,049,697
Sentinel Storage	46,976,225	415,765,343	456,747,448
Portable Storage	2,578,968	13,241,924	21,390,000
Management Division	3,364,706	16,000,000	20,042,610
	55,760,892	486,667,442	548,156,767

StorageVault Canada Inc.
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7. Long Term Debt and Lines of Credit

December 31, 2017				December 31, 2016		
	Rate	Weighted		Rate	Weighted	
	Range	Average	Balance	Range	Average	Balance
<u>Mortgages</u>						
Fixed/Variable	3.18% to 5.5%	4.21%	233,190,726	3.46% to 5.50%	4.09%	164,942,311
	Maturity: March 2018 to March 2025			Maturity: October 2017 to January 2022		
Deferred financing costs net of accretion						
of \$1,376,845 (December 31, 2016 - \$635,977)			(2,245,471)	(918,798)		
			230,945,255	164,023,513		
<u>Lines of Credit</u>						
	Prime plus 1.00%			Prime plus 1.00%		
Variable Rate	or BA plus 2.75%	4.21%	332,153,083	or BA plus 2.75%	4.38%	18,483,081
	Maturity: March 2018 to August 2020			Maturity: April 2017 to August 2020		
			563,098,338	182,506,594		

The bank Prime rate at December 31, 2017 was 3.20% (December 31, 2016 - 2.70%).

Mortgages are secured by a first mortgage charge on the real estate and equipment of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include a debt service ratio, fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of December 31, 2017 and 2016, the Corporation is in compliance with all covenants.

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

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

Year 1	\$	341,601,721 (includes lines of credit)
Year 2	\$	18,528,294
Year 3	\$	44,305,118
Year 4	\$	8,181,180
Year 5	\$	22,455,273
Thereafter	\$	130,272,223

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

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

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

Common shares issued:

	Number of Shares	Amount
Balance, December 31, 2015	167,925,820	\$ 66,867,412
Bought deal	67,647,600	57,500,460
Issued on asset acquisitions	45,621,212	58,803,787
Private placement	8,333,332	5,499,999
Dividend reinvestment plan	345,704	327,365
Share option redemption	36,000	14,400
Share issuance costs	-	(3,172,985)
Common shares repurchased	(100,000)	(72,050)
Balance, December 31, 2016	289,809,668	\$ 185,768,388
Bought deal	32,076,000	85,001,400
Issued on asset acquisitions	22,520,098	51,320,000
Dividend reinvestment plan	529,268	1,055,801
Stock option redemption	526,000	197,750
Share issuance costs	-	(3,271,774)
Common shares repurchased	(234,100)	(499,784)
Balance, December 31, 2017	345,226,934	\$ 319,571,781

Bought Deal

On July 19, 2017, the Corporation issued 32,076,000 common shares at a price of \$2.65 per common share for gross proceeds of \$85,001,400.

On August 19, 2016, the Corporation issued 67,647,600 common shares at a price of \$0.85 per common share for gross proceeds of \$57,500,460.

Private Placement

On March 18, 2016, the Corporation issued 8,333,332 common shares at a price of \$0.66 per common share for gross proceeds of \$5,499,999.

Note 8 - ContinuedDividend Reinvestment Plan

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

Common Shares Repurchased

Represents common shares repurchased under the Corporation's Normal Course Issuer Bid ("NCIB") policy allowing for the purchase for cancellation, during the 12-month period starting August 18, 2017, up to 17,198,962 of the common shares.

Contributed surplus:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Opening balance	2,243,239	1,034,865
Stock based compensation	1,534,286	1,208,374
Retirement of stock options and warrants	(237,315)	-
Ending balance	<u>3,540,210</u>	<u>2,243,239</u>

Stock Options and Warrants

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

StorageVault Canada Inc.
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Note 8 – Continued

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

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Weighted Average</u>		<u>Weighted Average</u>	
	<u>Options</u>	<u>Exercise Price</u>	<u>Options</u>	<u>Exercise Price</u>
Opening	11,501,000	\$0.62	8,561,000	\$0.36
Exercised/Expired	(2,945,150)	\$0.29	(60,000)	\$0.40
Granted	3,000,000	\$1.78	3,000,000	\$1.36
Closing and Exercisable	<u>11,555,850</u>	<u>\$1.01</u>	<u>11,501,000</u>	<u>\$0.62</u>

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

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

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	December 31, 2017	December 31, 2016
\$0.20	May 5, 2007	Nov 5, 2017	-	1,000,000
\$0.23	May 6, 2009	May 6, 2019	1,210,000	2,200,000
\$0.33	June 19, 2014	June 19, 2024	220,000	400,000
\$0.41	April 28, 2015	April 28, 2025	2,390,850	2,901,000
\$0.50	Sept 14, 2015	Sept 14, 2025	1,760,000	2,000,000
\$1.36	Dec 21, 2016	Dec 21, 2026	2,975,000	3,000,000
\$1.78	Mar 16, 2017	Mar 15, 2027	3,000,000	-
Options exercisable and outstanding			11,555,850	11,501,000

Warrants exercisable and outstanding are as follows:

Exercise Price	Expiry Date	December 31, 2017	December 31, 2016
\$0.35	Feb 25, 2018	16,666	249,999
\$0.37	Feb 25, 2018	2,533,334	2,833,334
Warrants exercisable and outstanding		2,550,000	3,083,333

Dividends

A cash dividend of \$0.00255 per share was declared on December 15, 2017 and payable to shareholders of record on December 29, 2017.

9. Financial Risk Management and Fair Value

The Corporation is required to disclose certain information concerning its financial instruments. The fair values of the Corporation's cash and short term deposits, accounts receivable, promissory note 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, 2017		As at December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Fair Value through Profit or Loss				
Cash and short term deposits	16,152,428	16,152,428	11,869,892	11,869,892
Loans and Receivables				
Accounts receivable	3,912,325	3,912,325	1,354,796	1,354,796
Financial Liabilities				
Other Financial Liabilities				
Accounts payable & accrued liabilities	10,784,409	10,784,409	3,406,008	3,406,008
Long term debt	563,098,338	561,867,534	182,506,594	182,600,607

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

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

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

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

Note 9 – Continued

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

At December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and short term deposits	\$16,152,428	-	-	\$16,152,428
At December 31, 2016				
Assets				
Cash and short term deposits	\$11,869,892	-		\$11,869,892

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

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

There is interest rate risk associated with variable rate mortgages and lines of credit as interest expense is impacted by changes in the prime rate and bankers' acceptance rate. The impact on the net income (loss) and comprehensive income (loss) if interest rates on variable rate debt had been 1% higher or lower for the year ended December 31, 2017 would be approximately \$4,215,097 (December 31, 2016 - \$661,276).

- 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.

Note 9 - Continued

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

	December 31, 2017	December 31, 2016
<i>Trade Receivables</i>		
Under 60 days aged	\$ 2,835,508	\$625,446
Between 60 and 90 days (past due but not impaired)	366,639	46,625
Over 90 days (not impaired)	125,111	-
Over 90 days (impaired)	295,486	127,013
Allowance for doubtful accounts	(298,178)	(120,000)
<i>Non-Trade Receivables</i>		
Over 30 days aged (not impaired)	587,759	675,712
	<u>\$3,912,325</u>	<u>\$1,354,796</u>

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

Balance December 31, 2015	\$62,119
Charges or adjustments during the year	<u>57,881</u>
Balance December 31, 2016	\$120,000
Charges or adjustments during the year	<u>178,178</u>
Balance December 31, 2017	<u>\$298,178</u>

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

- c) Liquidity risk – Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they fall due. The Corporation manages liquidity risk through cash flow forecasting and regular monitoring of cash requirements including anticipated investing and financing activities. Typically the Corporation ensures that it has sufficient cash or liquid investments available to meet expected operating expenses for a period of 30 days, excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the foreseeable future, the Corporation anticipates that cash flows from operations, working capital, and other sources of financing will be sufficient to meet its operating requirements, debt repayment obligations and will provide sufficient funding for anticipated capital expenditures. Maturities of long term financial liabilities are summarized in Note 7.

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 9 – Continued

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

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

10. Income Taxes

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

	2017	2016
Loss before taxes	(24,757,670)	(21,189,436)
Combined federal and provincial statutory income tax rate	26.75%	27.00%
Income tax recovery calculated at statutory rate	(6,622,677)	(5,721,148)
Non-deductible items	(43,954)	3,480,508
Change in tax rate and other items	(1,548,737)	-
Change in deferred tax assets not recognized	(2,689,670)	2,240,640
Income tax expense (recovery)	(10,905,038)	-

Movements in deferred tax assets (liabilities) related to temporary differences during the year are as follows:

	December 31, 2016	Recognized on acquisitions (Note 4)	Recognized in earnings	December 31, 2017
Property, plant and equipment	(1,249,765)	(52,006,613)	(3,781,910)	(57,038,288)
Goodwill	(129,893)	-	(230,171)	(360,064)
Intangible assets	(584,809)	(8,055,053)	2,248,867	(6,390,995)
Long term debt	(243,481)	-	(357,445)	(600,926)
Non-capital loss carry forwards	-	-	1,832,915	1,832,915
Deferred tax asset not recognised	2,207,948	-	11,192,782	13,400,730
Deferred tax asset (liabilities)	-	(60,061,666)	10,905,038	(49,156,628)

11. Related Party Transactions

During the year ended December 31, 2017, the Corporation paid total management fees of \$293,321 (December 31, 2016 - \$819,666) to Access Results Management Services Inc. ("ARMS"), a corporation controlled by Steven Scott and Iqbal Khan. Pursuant to a management agreement, ARMS is entitled to a base management fee of \$194,758 for fiscal 2017, as well as an annual performance fee of 4% of net operating income ("NOI"), defined as storage and related services revenue less property operating costs, if the Corporation attains 85% or greater of its annual board-approved budgeted NOI for that fiscal year. On March 31, 2017, the Corporation purchased all management contracts from ARMS (see Note 4) and therefore, the management agreement has ceased.

During the year ended December 31, 2017, the Corporation reimbursed operational wages of \$1,545,892 (December 31, 2016 - \$4,736,700) and training, travel and related expenses of \$16,804 (December 31, 2016 - \$319,895) to ARMS. These expenses, reimbursed at cost, were undertaken exclusively for the benefit of the Corporation.

During the year ended December 31, 2017, the Corporation paid loan guarantee fees of \$127,500 (December 31, 2016 - \$181,616) to Access Self Storage Inc., a large shareholder of the Corporation, related to Steven Scott and Iqbal Khan. As a condition of the assumption of two mortgages, the director and corporation were required to provide a guarantee for the entire outstanding principal balance of the mortgages. The loan guarantee fee is compensation for the provision of this guarantee and is paid on a monthly basis at the annual rate of 0.5% and 0.4% of the original mortgage principal balances. A portion of the loan guarantee payments ceased in August 2016, while the remainder ceased in September 2017.

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of portable storage throughout Canada. CPFI is a corporation related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the year ended December 31, 2017, the Corporation paid \$216,710 (December 31, 2016 - \$182,022) for royalties and \$1,535,160 (December 31, 2016 - \$1,329,326) 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, 2017 was \$33,808 (December 31, 2016 - \$13,797) payable to CPFI and \$nil (December 31, 2016 - \$1,191,647) payable to ARMS.

On March 31, 2017 the Corporation completed an acquisition to internalize management of the Corporation's stores and acquired third party management contracts for over 55 stores for \$16,000,000 from Access Results Management Services Inc., a corporation related to Steven Scott, Iqbal Khan, and Access Self Storage Inc. (Note 4).

On August 11, 2017 the Corporation completed the acquisition of six self storage locations for \$34,225,000 from Access Self Storage Inc., a corporation related to Steven Scott and Iqbal Khan (Note 4).

Note 11 – Continued

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Wages, management fees, bonuses and directors fees	129,800	135,608
Stock based compensation	1,293,914	1,013,021
	<u>1,423,714</u>	<u>1,148,629</u>

12. Capital Risk Management

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

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

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

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

For the Years Ended December 31, 2017 and 2016

13. Segmented Information

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

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

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

For the Year Ended December 31, 2017

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 54,653,224	\$ 6,017,807	\$ 1,217,483	\$ -	\$ 61,888,514
Operating expenses	17,403,935	3,890,543	-	-	21,294,478
Net operating income	37,249,289	2,127,264	1,217,483	-	40,594,036
Acquisition and integration	-	-	-	5,373,955	5,373,955
Selling, general & admin.	-	-	-	4,038,559	4,038,559
Interest expense	15,300,178	338,979	-	-	15,639,157
Stock based compensation	-	-	-	1,534,286	1,534,286
Depreciation, amortization	36,628,061	1,908,597	-	71,813	38,608,471
Share of loss in joint venture	157,278	-	-	-	157,278
Deferred tax recovery	-	-	-	(10,905,038)	(10,905,038)
Net income/(loss)	(14,836,228)	(120,312)	1,217,483	(113,575)	(13,852,632)
Additions:					
Real estate and equipment	493,782,394	887,953	-	115,663	494,786,010

StorageVault Canada Inc.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Note 13 – Continued

For the Year Ended December 31, 2016

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 22,462,245	\$ 5,362,299	\$ -	\$ -	\$ 27,824,544
Operating expenses	7,444,352	3,355,666	-	-	10,800,018
Net operating income	15,017,893	2,006,633	-	-	17,024,526
Acquisition and integration	-	-	-	1,928,429	1,928,429
Selling, general & admin.	-	-	-	2,240,692	2,240,692
Interest expense	5,218,966	289,379	-	-	5,508,345
Stock based compensation	-	-	-	1,208,374	1,208,374
Depreciation, amortization and goodwill adjustment	24,563,310	2,690,032	-	74,780	27,328,122
Share of loss in joint venture	-	-	-	-	-
Net income/(loss)	(14,764,383)	(972,778)	-	(5,452,275)	(21,189,436)
Additions:					
Real estate and equipment	179,135,513	2,200,663	-	2,949	181,339,125

Total Assets

	Self Storage	Portable Storage	Management Division	Corporate	Total
As at December 31, 2016	\$ 316,524,663	\$ 15,457,428	\$ -	\$ 10,821,490	\$ 342,803,581
As at December 31, 2017	\$ 837,350,008	\$ 24,770,062	\$ 19,353,316	\$ 14,022,995	\$ 895,496,381

14. Investment in Joint Venture

As at December 31, 2017 the Corporation has a 50% interest in a joint venture. The investment in the JV is accounted for using the equity method in accordance with IAS 28.

Financial statements for the JV are as follows:

	<u>December 31, 2017</u>
Assets	\$ 37,720,440
Liabilities	(8,449,831)
Total net assets	<u>29,270,609</u>
Proportion of ownership interest held by the Corporation	<u>50%</u>
Carrying amount of investment in joint venture	<u>\$ 14,635,305</u>
	<u>August 1, 2017 to December 31, 2017</u>
Revenues	\$ 1,123,703
Expenses	
Operating costs	493,960
Interest	46,672
Depreciation and amortization	897,627
Total Expenses	<u>1,438,259</u>
Loss for the period	(314,556)
Proportion of ownership interest held by the Corporation	<u>50%</u>
Corporation's share of loss for the period	<u>\$ (157,278)</u>

15. Commitments and Contingencies

Operating Lease Commitments

The Corporation leases buildings and lands in Winnipeg, MB, Kamloops, BC and Montreal, QC. The leases do not contain any contingent rent clauses. They do not include any provisions for transfer of title, nor does the Corporation participate in the residual value of the land. Therefore, these leases are considered operating leases as the risk and reward of ownership of the lands remain with the landlords. The leases expire between 2018 and 2054, with the leases expiring in 2027 and 2032 having up to 20 years and 25 years of renewals, respectively, at the option of the Corporation after that time.

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

Less than one year	\$ 1,227,614
Between one and five years	4,658,483
More than five years	<u>21,213,005</u>
	<u>\$ 27,099,102</u>

During the year ended December 31, 2017, the Corporation recognized as an expense \$1,101,757 (December 31, 2016 - \$441,251) in operating lease payments.

Bank Letter of Guarantee

The Corporation has various letters of guarantee in the amount of \$474,691 which are due within one year.

Contingency

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

16. Subsequent Events

On February 1, 2018 the Corporation completed the acquisition of the remaining 50% interest in two Calgary stores from its joint venture partner for \$17.2 million.

On February 1, 2018 the Corporation completed the purchase of 400 portable storage units, equipment and repurchased the license to operate our Cubeit brand in British Columbia for \$2,290,000.

StorageVault Canada Inc.

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Toronto, ON

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