

StorageVault Canada Inc.

Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2019 and 2018

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the StorageVault Canada Inc. have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

StorageVault Canada Inc.
Unaudited Interim Consolidated Statements of Financial Position

	March 31 2019	December 31 2018
Assets		
Real estate and equipment, net (Note 5)	\$ 932,119,402	\$ 915,442,044
Goodwill and intangible assets, net (Note 6)	77,526,826	77,526,826
Cash and short term deposits	20,522,563	19,695,873
Prepaid expenses and other current assets	8,084,268	5,191,801
Accounts receivable	6,661,032	4,934,873
	\$ 1,044,914,091	\$ 1,022,791,417
Liabilities and Shareholders' Equity		
Long term debt (Note 7)	\$ 570,858,812	\$ 552,677,822
Lines of credit (Note 7)	142,233,334	149,733,334
Lease liability (Note 14)	19,318,861	-
Deferred tax liability	45,514,286	47,026,009
Accounts payable and accrued liabilities	11,908,408	7,394,616
Unearned revenue	4,750,579	5,033,079
	794,584,280	761,864,860
Shareholders' Equity		
Share capital (Note 8)	338,937,192	338,552,701
Dividends paid (Note 8)	(9,657,156)	(8,726,868)
Contributed surplus (Note 8)	5,218,589	5,218,589
Deficit	(84,168,814)	(74,117,865)
	250,329,811	260,926,557
	\$ 1,044,914,091	\$ 1,022,791,417

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

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

Approved on behalf of the Board:

"signed" Steven Scott

Director

"signed" Iqbal Khan

Director

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

	March 31 2019	March 31 2018
Common Share Capital		
Balance, beginning of the period	\$ 338,552,701	\$ 319,571,781
Common shares issued, net of issuance costs (Note 8)	384,491	2,050,370
Balance, end of the period	338,937,192	321,622,151
Contributed Surplus		
Balance, beginning of the period	5,218,589	3,540,210
Balance, end of the period	5,218,589	3,540,210
Deficit		
Balance, beginning of the period	(74,117,865)	(49,966,570)
IFRS 16 equity adjustment (Note 3)	(1,207,122)	-
Net income (loss) and comprehensive income (loss)	(8,843,827)	(7,793,463)
Balance, end of the period	\$ (84,168,814)	\$ (57,760,033)

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

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

	2019	2018
Revenue		
Storage and related services	\$ 25,802,944	\$ 20,524,199
Management fees	419,110	389,263
	<u>26,222,054</u>	<u>20,913,462</u>
Expenses		
Operating costs	8,781,076	7,275,209
Acquisition and integration costs	2,019,533	530,509
Selling, general and administrative	1,891,315	1,043,853
Depreciation and amortization (Note 5)	15,630,074	13,544,275
Interest	8,255,606	6,313,079
	<u>36,577,604</u>	<u>28,706,925</u>
Net income (loss) and comprehensive income (loss) before tax	(10,355,550)	(7,793,463)
Deferred tax recovery	1,511,723	-
	<u>\$ (8,843,827)</u>	<u>\$ (7,793,463)</u>
Net income (loss) per common share		
Basic	\$ (0.025)	\$ (0.022)
Diluted	\$ (0.025)	\$ (0.022)
Weighted average number of common shares outstanding		
Basic	355,837,180	346,856,945
Diluted	355,837,180	346,856,945

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

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

	2019	2018
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss) and comprehensive income (loss) after tax	\$ (8,843,827)	\$ (7,793,463)
Adjustment for non-cash items:		
Deferred tax recovery	(1,511,723)	-
Depreciation and amortization (Notes 5)	15,630,074	13,544,275
Amortization of deferred financing costs	317,819	341,623
Gain on disposal of real estate and equipment	(6,710)	-
Cash flow from operations before non-cash working capital balances	5,585,633	6,092,435
Net change in non-cash working capital balances		
Accounts receivable	(1,726,160)	(418,371)
Prepaid expenses and other current assets	(2,892,466)	(430,740)
Accounts payable and accrued liabilities	4,513,790	429
Unearned revenue	(282,500)	(107,855)
	5,198,297	5,135,898
Financing activities		
Common shares issued, net of issuance costs (Note 8)	-	2,419,812
Dividends paid	(540,745)	(512,972)
Advances from long term debt	30,000,000	47,000,000
Repayment of long term debt	(19,406,528)	(16,031,654)
	10,052,727	32,875,186
Investing activities		
Cash paid in business combinations (Note 4)	(10,460,000)	(17,351,671)
Additions to real estate and equipment (Note 5, 6)	(3,975,156)	(4,995,780)
Proceeds on disposal of real estate and equipment	10,822	-
	(14,424,334)	(22,347,451)
Increase in cash and short term deposits	826,690	15,663,633
Cash and short term deposits balance, beginning of period	19,695,873	16,152,428
Cash and short term deposits balance, end of period	\$ 20,522,563	\$ 31,816,061

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

StorageVault Canada Inc.
Notes to the Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

1. Description of Business

The interim consolidated financial statements of StorageVault Canada Inc. and its subsidiaries (the "Corporation") as at and for the three months ended March 31, 2019, were authorized for issuance by the Board of Directors of the Corporation on May 14, 2019. The Corporation is incorporated under the Business Corporations Act of Alberta and is domiciled in Canada. Its shares are publicly traded on the TSX Venture Exchange ("Exchange"). The address of its registered office is 1000 – 250 2nd Street SW, Calgary, AB, T2P 0C1.

The Corporation's primary business is owning, managing and renting self storage and portable storage space to individual and commercial customers.

2. Basis of Presentation

These interim consolidated financial statements and the notes thereto present the Corporation's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as at January 1, 2019. They have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and accordingly these interim consolidated financial statements do not include all the necessary annual disclosures in accordance with IFRS.

These interim consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements for the year ended December 31, 2018. The accounting policies and methods of computation followed in the preparation of these interim consolidated financial statements are consistent with those used in the preparation of the most recent annual report except for the adoption of IFRS 16 (Note 3).

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

3. Accounting policies

Basis of Consolidation

The interim consolidated financial statements include the accounts of StorageVault Canada Inc., its wholly owned subsidiaries, Sentinel Self-Storage Corporation and Spyhill Ltd., 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 interim consolidated financial statements.

Interest in Joint Venture

The Corporation had an interest in a joint venture, through its wholly owned subsidiary Sentinel Self-Storage Corporation, Spyhill Ltd. ("JV"), which was a jointly controlled entity. The Corporation recognized

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Note 3 – Continued

its interest in the JV using the equity method of accounting. As at February 1, 2018, the Corporation wholly owned the JV through the purchase of the remaining 50% of its shares.

Revenue Recognition

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

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

Revenue earned from the renting of storage units is accounted for under IFRS 16 – Leases. Storage units are rented to customers pursuant to rental agreements which provide for weekly or monthly rental terms with non-refundable rental payments. The rental agreements may be terminated by the customer without further obligation or cost upon vacating the storage unit. Revenue from rental agreements is recognized over the rental term pursuant to the rental agreement. Non-refundable customer deposits, which are received to hold a unit for rent at a future date, are deferred and recognized as revenue upon commencement of the rental agreement. Receipts of rental fees for future periods are deferred and recognized as revenue when each respective monthly period commences. Provision is made for expected allowances as necessary.

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

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

Business Combinations

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

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

Note 3 – Continued

from the business combination's synergies and to the lowest level at which management monitors the goodwill.

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

Significant Accounting Estimates and Judgments

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

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

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

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(Unaudited)

Note 3 – Continued

- Bad debts - The Corporation estimates potential bad debts based on an analysis of historical collection activity and specific identification of overdue accounts. Actual bad debts may differ from estimates made.
- Income taxes - Income taxes are subject to measurement uncertainty due to the possibility of changes in tax legislation or changes in the characterization of income sources.
- Stock based compensation - Compensation costs accrued for stock based compensation plans are subject to the estimation of the ultimate payout using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

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

- For the purpose of assessing impairment of tangible and intangible assets, assets are grouped at the lowest level of separately identified cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. The asset composition of the CGU can directly impact the recoverability of the assets included within the CGU.
- The determination of which entities require consolidation is subject to management judgment regarding levels of control, assumptions of risk and other factors that may ultimately include or exclude an entity from the classification of a subsidiary or other entity requiring consolidation.
- For the purpose of recording asset acquisitions, management must exercise judgment to determine if the acquisition meets the definition of a business. Such determination may affect the recorded amounts of specific assets and liabilities, goodwill and/or transaction costs.
- The Corporation applied judgment in determining control over the JV where the Corporation held 50% equity ownership. The judgment was 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 was guaranteed 50% of seats on the board of the JV and participated in all significant financial and operating decisions. Joint control was established by the shareholder arrangement that required 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 Interim Consolidated Statements of Financial Position are comprised of cash at bank and on hand, and short term, highly liquid deposits with an original maturity of 3 months or less. For the purpose of these Interim Consolidated Statements of Cash Flows, cash and short term deposits are defined as above, net of outstanding bank overdrafts, except where no right of set-off exists.

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(Unaudited)

Note 3 – Continued

Real Estate and Equipment

Real estate and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) during the financial period in which they are incurred.

Once an asset is available for use in the location and condition intended by management, it is depreciated to its residual value using the appropriate depreciation rate set forth by management. Land is not depreciated.

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

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

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

Goodwill and Intangible Assets

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

StorageVault Canada Inc.

Notes to the Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2019 and 2018

(Unaudited)

Note 3 – Continued

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.

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 Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and is not subsequently reversed.

Income Taxes

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

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

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

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

Stock Based Compensation

The fair value of stock options issued to directors, officers and consultants under the Corporation's stock option plan is estimated at the date of issue using the Black-Scholes option pricing model, and charged to the Interim Consolidated 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

Note 3 – Continued

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.

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

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

Income (Loss) per Share

Basic income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing the net earnings by the weighted average number of shares outstanding as adjusted for the potential dilution that would occur if outstanding stock options, subordinated debentures, preferred shares or other potentially dilutive financial instruments were exercised or converted to common shares.

The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

Share Capital

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

Segment Reporting

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

Note 3 – Continued

Financial Instruments

Consistent with the requirements of IFRS 9, the Corporation assesses the lifetime expected credit losses on an ongoing basis and updates its assumptions, if and when required.

- a) Financial assets - Pursuant to IFRS 9, the classification of financial assets is based on the Corporation's assessment of its business model for holding financial assets. The classification categories are as follows:
- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets measured at amortized cost are measured at cost using the effective interest method. Impairment of financial assets are recognized in accordance with IFRS 9's three stage process and credit losses expected to occur over the first 12 months of the life of the instrument are recognized immediately. The life time credit losses are recognized when the credit risk has increased significantly since the initial recognition. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

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

- b) Financial liabilities - The classification of financial liabilities is determined by the Corporation at initial recognition. The classification categories are as follows:
- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).
 - Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

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

Note 3 – Continued

Changes in Accounting Policies

The Corporation has adopted the following new and revised standards effective January 1, 2019:

IFRS 16 – Leases

The Corporation adopted the requirements of IFRS 16 - Leases as of January 1, 2019. IFRS 16 replaces IAS 17 - Leases and results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The lease liability is measured at present value of the lease payments that are not paid at the balance date and is unwound over time using the interest rate implicit in the lease repayments where available, or the Corporation's incremental borrowing rate. The right-of-use asset comprises the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease. The new standard replaces the Corporation's operating lease expense with an interest and depreciation expense.

The Corporation applied the new standard IFRS 16 using the "Modified Retrospective" approach which recognizes the cumulative effect of initial application as an adjustment to the opening balance of Retained Earnings at January 1, 2019, without having to adjust comparatives in the current year reporting. The Corporation recognized the right-of-use assets based on the value they would have been at the commencement date and the lease liabilities based on their value at the date of initial application, resulting in an adjustment to the Retained Earnings of \$1,207,122.

The Corporation elected to use the practical expedient to not recognize a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application. The Corporation has also elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Options (extension/termination) on lease contracts are assessed on a case by case basis. The weighted average incremental borrowing rate at the date of initial application was 4.33%. This has been applied to the liabilities recognized at the date of initial application where there is no implicit rate.

As of January 1, 2019, the Corporation has \$18,174,269 of right-of-use leased assets and \$19,361,216 lease liabilities.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17 and the Corporation will continue to classify leases with its tenants as operating leases.

The adoption of IFRS 16 has no material impact on the Corporation's Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and the Corporation's Interim Consolidated Statements of Cash Flows in for the three months ended March 31, 2019. Expenses relating to short-term leases and leases of low-value assets were immaterial for the quarter.

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4. Acquisitions

During the three months ended March 31, 2019, the Corporation completed the below transactions that met the definition of a business under IFRS 3 – Business Combinations. These acquisitions have been accounted for using the acquisition method with the results of the operations being included in the interim consolidated financial statements of the Corporation since the dates of acquisition. At the time the financial statements were authorized for issue, the Corporation had not yet completed the accounting for the acquisitions. 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 acquisition are:

First Quarter Acquisitions:

During the first quarter, the Corporation completed the acquisition of two self storage locations in Ontario for \$10,460,000 (subjected to customary adjustments). These acquisitions were arm’s length transactions. The purchases were paid for by cash on hand.

A summary of the acquisitions are as follows:

	One Self Storage	One Self Storage	
	Location	Location	Total
Acquisition date:	January 4, 2019	February 15, 2019	
Land, Yards, Buildings & Improvements	\$ 412,458	\$ 8,780,064	\$ 9,192,522
Tenant Relationships	47,542	1,219,936	1,267,478
Net Assets Acquired	<u>460,000</u>	<u>10,000,000</u>	<u>10,460,000</u>

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

Cash on hand	<u>460,000</u>	<u>10,000,000</u>	<u>10,460,000</u>
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Selected information for the acquisitions, since their acquisition dates:

Revenue	24,680	185,092	209,772
Operating costs	14,257	40,146	54,403
	<u>10,423</u>	<u>144,946</u>	<u>155,369</u>
Amortization	8,772	119,095	127,867
Interest	-	37,160	37,160
Net income (loss)	<u>\$ 1,651</u>	<u>\$ (11,309)</u>	<u>\$ (9,658)</u>

StorageVault Canada Inc.
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5. Real Estate and Equipment

	<u>Land, Yards, Buildings & Improvements</u>	<u>Storage Containers</u>	<u>Intangible Tenant Relationships</u>	<u>Vehicles</u>	<u>Office & Computer Equipment</u>	<u>Total</u>
COST						
December 31, 2017	743,997,212	12,703,190	82,261,527	4,893,080	1,808,595	845,663,604
Additions	11,524,966	6,026,887	-	205,573	854,404	18,611,830
Disposals	(10,648)	(17,500)	-	(28,159)	-	(56,307)
Business acquisitions	160,099,529	-	15,600,471	-	-	175,700,000
December 31, 2018	915,611,059	18,712,577	97,861,998	5,070,494	2,662,999	1,039,919,127
Additions	21,568,822	10,812	-	6,886	278,847	21,865,367
Disposals	(13,500)	-	-	(37,000)	-	(50,500)
Business acquisitions	9,192,522	-	1,267,478	-	-	10,460,000
March 31, 2019	946,358,903	18,723,389	99,129,476	5,040,380	2,941,846	1,072,193,994
ACCUMULATED DEPRECIATION						
December 31, 2017	34,153,525	4,119,032	23,673,335	3,059,396	633,565	65,638,853
Depreciation	34,427,544	1,257,998	22,178,673	581,547	411,370	58,857,132
Disposals	(213)	(271)	-	(18,418)	-	(18,902)
December 31, 2018	68,580,856	5,376,759	45,852,008	3,622,525	1,044,935	124,477,083
Depreciation	9,072,114	329,382	6,013,445	107,865	107,268	15,630,074
Disposals	(3,741)	-	-	(28,824)	-	(32,565)
March 31, 2019	77,649,229	5,706,141	51,865,453	3,701,566	1,152,203	140,074,592
NET BOOK VALUE						
December 31, 2018	847,030,203	13,335,818	52,009,990	1,447,969	1,618,064	915,442,044
March 31, 2019	868,709,674	13,017,248	47,264,023	1,338,814	1,789,643	932,119,402

Included in Land, Yards, Buildings & Improvements is Land at a value of \$301,264,146 (December 31, 2018 - \$298,882,932).

Included in Land, Yards, Buildings & Improvements is \$10,783,708 (December 31, 2018 - \$7,770,200) of construction in process that is not being depreciated.

Included in Land, Yards, Buildings & Improvements are right-of-use assets at a value of \$18,004,278 (December 31, 2018 - \$nil), net of accumulated depreciation of \$169,991 (December 31, 2018 - \$nil).

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6. Goodwill and Intangible Assets

	<u>Goodwill</u>	<u>Management Contracts</u>	<u>Total</u>
COST			
December 31, 2017	55,760,892	16,300,000	72,060,892
Additions	-	-	-
Business acquisitions	5,465,934	-	5,465,934
December 31, 2018	<u>61,226,826</u>	<u>16,300,000</u>	<u>77,526,826</u>
Additions	-	-	-
March 31, 2019	<u><u>61,226,826</u></u>	<u><u>16,300,000</u></u>	<u><u>77,526,826</u></u>

ACCUMULATED AMORTIZATION

December 31, 2017	-	-	-
Amortization	-	-	-
December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>
Amortization	-	-	-
March 31, 2019	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

NET BOOK VALUE

December 31, 2018	61,226,826	16,300,000	77,526,826
March 31, 2019	61,226,826	16,300,000	77,526,826

At December 31, 2018 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.

Note 6 – Continued

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 6.08% 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 8.45% 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 Self-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, and is consistent with the CGU's historical growth rate.
- Cash flows were discounted at a pre-tax rate of 5.05% based on management's experience and the superior quality and location of these properties.

Portable Storage group of CGU's

- The cash flow projection includes specific estimates based on the expected life of storage containers, with a 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.

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Note 6 – Continued

Management Division CGU

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

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

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

Group of CGU's	Goodwill	Carrying Value	Recoverable Amount
Manitoba and Saskatchewan	2,621,716	28,416,958	39,838,803
Kamloops, BC	76,470	7,982,147	14,222,890
London, ON	142,807	2,196,481	5,058,611
Sentinel Self-Storage	52,442,159	410,798,799	550,966,506
Portable Storage	2,578,968	17,832,236	21,859,603
Management Division	3,364,706	16,000,000	23,718,250
	61,226,826	483,226,621	655,664,663

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7. Long Term Debt and Lines of Credit

	March 31, 2019			December 31, 2018		
	Rate Range	Weighted Average	Balance	Rate Range	Weighted Average	Balance
<u>Mortgages</u>						
Fixed/Variable	3.18% to 5.20%	4.25%	573,276,590	3.18% to 5.20%	4.24%	555,183,118
	<i>Maturity: July 2019 to January 2029</i>			<i>Maturity: January 2019 to December 2028</i>		
Deferred financing costs net of accretion of \$2,832,138 (Dec 31, 2018 - \$2,514,319)			(2,417,778)			(2,505,296)
			<u>570,858,812</u>			<u>552,677,822</u>
<u>Lines of Credit</u>						
Variable Rate	Prime plus 1.25% or BA plus 2.35%	4.47%	142,233,334	Prime plus 1.00% or BA plus 2.35%	4.47%	149,733,334
	<i>Maturity: July 2019 to August 2020</i>			<i>Maturity: July 2019 to April 2021</i>		
			<u>713,092,146</u>			<u>702,411,156</u>

The bank prime rate at March 31, 2019 was 3.95% (December 31, 2018 – 3.95%).

Mortgages are secured by a first mortgage charge on the real estate and equipment of the Corporation, general security agreements covering all assets of the Corporation, general assignment of rents and leases and assignments of insurance coverage over all assets of the Corporation. The Corporation must maintain certain financial ratios to comply with the facilities. These covenants include debt service coverage ratios, a fixed charge coverage ratio, a tangible net worth ratio, and a loan to value ratio. As of March 31, 2019, 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	\$	159,058,966 (includes lines of credit of \$142.2 million)
Year 2	\$	99,819,890
Year 3	\$	107,743,139
Year 4	\$	67,894,293
Year 5	\$	33,987,959
Thereafter	\$	247,005,677

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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:

	<u>Number of Shares</u>	<u>Amount</u>
Balance, December 31, 2017	345,226,934	\$ 319,571,781
Issued on asset acquisitions	6,313,955	15,661,727
Dividend reinvestment plan	613,694	1,497,892
Share option redemption	3,568,391	1,906,263
Share issuance costs	-	(84,962)
Balance, December 31, 2018	<u>355,722,974</u>	<u>\$ 338,552,701</u>
Dividend reinvestment plan	131,554	384,491
Balance, March 31, 2019	<u><u>355,854,528</u></u>	<u><u>\$ 338,937,192</u></u>

Dividend Reinvestment Plan

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

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 September 7, 2018, up to 17,704,359 of the common shares.

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Note 8 - Continued

Contributed surplus:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Opening balance	5,218,589	3,540,210
Stock based compensation	-	1,901,631
Redemption of stock options and warrants	-	(223,252)
Ending balance	<u>5,218,589</u>	<u>5,218,589</u>

Stock Options

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:

	<u>March 31, 2019</u>		<u>December 31, 2018</u>	
	Weighted Average		Weighted Average	
	<u>Options</u>	<u>Exercise Price</u>	<u>Options</u>	<u>Exercise Price</u>
Opening	13,537,450	\$1.36	11,555,850	\$1.01
Exercised/Expired			(1,018,400)	\$0.73
Granted			3,000,000	\$2.52
Closing and Exercisable	<u>13,537,450</u>	<u>\$1.36</u>	<u>13,537,450</u>	<u>\$1.36</u>

The fair value of options granted in 2018 was estimated on the date of the grant, as determined by using the Black-Scholes option pricing model with the following assumptions:

Dividend Yield	0.11%
Risk-Free Interest Rate	2.05%
Expected Life of Options	4 Years
Expected Volatility of the Corporation's Common Shares	30.97%

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Note 8 – Continued

Stock options exercisable and outstanding are as follows:

Exercise Price	Vesting Date	Expiry Date	March 31, 2019	December 31, 2018
\$ 0.23	May 6, 2009	May 6, 2019	990,000	990,000
\$ 0.33	June 19, 2014	June 19, 2024	180,000	180,000
\$ 0.41	April 28, 2015	April 28, 2025	2,122,450	2,122,450
\$ 0.50	Sept 14, 2015	Sept 14, 2025	1,570,000	1,570,000
\$ 1.36	Dec 21, 2016	Dec 21, 2026	2,825,000	2,825,000
\$ 1.78	Mar 16, 2017	Mar 15, 2027	2,850,000	2,850,000
\$ 2.52	May 4, 2018	May 3, 2028	3,000,000	3,000,000
Options exercisable and outstanding			13,537,450	13,537,450

Equity Incentive Plan

Under the Corporation's Equity Incentive Plan passed on May 30, 2018 (the "Plan"), directors, employees and consultants are eligible to receive awards, in the form of Restricted Share Units ("RSU's"), Deferred Share Units ("DSU's") and Named Executive Officer Restricted Share Units ("Neo RSU's"), as and when granted by the Board, in its sole discretion. The maximum number of awards that may be issued under the Plan is 17,545,677. The maximum number of shares that may be reserved for issuance under the Plan, together with any of the Corporation's other share-based compensation arrangements, may not exceed 10% of the issued shares of the Corporation.

The RSU's and DSU's that are granted vest in equal annual amounts over 3 years. The Neo RSU's vest 3 years after the date of grant. RSU's, DSU's and Neo RSU's are entitled to be credited with dividend equivalents in the form of additional RSU's, DSU's and Neo RSU's, respectively.

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

There has been no issuance of any Awards under the Plan as at March 31, 2019.

Dividends

A cash dividend of \$0.002614 per common share was declared on March 15, 2019 and paid to shareholders of record on March 29, 2019.

StorageVault Canada Inc.

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9. Financial Risk Management and Fair Value

The Corporation is required to disclose certain information concerning its financial instruments. The fair values of the Corporation's cash and short term deposits, accounts receivable and accounts payable and accrued liabilities approximate their carrying amount due to the relatively short periods to maturity of these financial instruments. The fair value of the Corporation's debt obligations is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts the Corporation might pay or receive in actual market transactions.

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

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

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

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

The fair value of financial liabilities was as follows:

	Fair Value Hierarchy	As at March 31, 2019		As at December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities:					
Long term debt and lines of credit	Level 2	713,092,146	710,238,104	702,411,156	686,639,088

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. The impact on the statement of income (loss) and comprehensive income (loss) if interest rates on variable

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Note 9 – Continued

rate debt had been 1% higher or lower for the three months ended March 31, 2019 would be approximately \$1,464,172 (March 31, 2018 - \$1,036,851).

- 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>March 31, 2019</u>	December 31, 2018
<i>Trade Receivables</i>		
Under 60 days aged	\$2,552,523	\$3,166,196
Between 60 and 90 days (past due but not impaired)	1,610,227	545,270
Over 90 days (not impaired)	2,011,037	705,821
Over 90 days (impaired)	253,449	271,666
Allowance for doubtful accounts	(250,658)	(250,658)
<i>Non-Trade Receivables</i>		
Over 30 days aged (not impaired)	484,454	496,578
	<u>\$6,661,032</u>	<u>\$4,934,873</u>

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

Balance December 31, 2017	\$298,178
Charges or adjustments during the year	<u>(47,520)</u>
Balance December 31, 2018	\$250,658
Charges or adjustments during the year	<u>-</u>
Balance March 31, 2019	<u>\$250,658</u>

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

StorageVault Canada Inc.

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Note 9 – Continued

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

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

10. Related Party Transactions

The Corporation holds a Master Franchise from Canadian PUPS Franchises Inc. (CPFI) which provides the Corporation with the exclusive Canadian franchise rights for the development and operation of portable storage throughout Canada. CPFI is a corporation related to Steven Scott and Iqbal Khan who are directors of the Corporation. The Corporation pays a monthly royalty of 3.5% on the gross sales. During the three months ended March 31, 2019, the Corporation paid \$67,089 (March 31, 2018 - \$45,134) for royalties and \$nil (March 31, 2018 - \$893,110) 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 March 31, 2019 was \$17,155 (March 31, 2018 - \$32,560) payable to CPFI.

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

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Wages, management fees, bonuses and directors fees	141,171	32,450

11. Capital Risk Management

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

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

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

12. Segmented Information

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

- Self Storage – involves the customer leasing space at the Corporation's property for short or long term storage. Self storage 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.

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Note 12 – Continued

For the Three Months Ended March 31, 2019

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 24,364,751	\$ 1,438,193	\$ 419,110	\$ -	\$ 26,222,054
Operating expenses	7,729,983	1,051,093	-	-	8,781,076
Net operating income	16,634,768	387,100	419,110	-	17,440,978
Acquisition and integration	-	-	-	2,019,533	2,019,533
Selling, general & admin.	-	-	-	1,891,315	1,891,315
Interest expense	8,255,606	-	-	-	8,255,606
Depreciation and amortization	15,136,354	464,027	-	29,693	15,630,074
Deferred tax recovery	-	-	-	(1,511,723)	(1,511,723)
Net income (loss)	(6,757,192)	(76,927)	419,110	(2,428,818)	(8,843,827)
Additions:					
Real estate and equipment	31,832,117	464,027	-	29,223	32,325,367

For the Three Months Ended March 31, 2018

	Self Storage	Portable Storage	Management Division	Corporate	Total
Revenue	\$ 19,386,684	\$ 1,137,515	\$ 389,263	\$ -	\$ 20,913,462
Operating expenses	6,515,169	760,040	-	-	7,275,209
Net operating income	12,871,515	377,475	389,263	-	13,638,253
Acquisition and integration	-	-	-	530,509	530,509
Selling, general & admin.	-	-	-	1,043,853	1,043,853
Interest expense	6,175,092	137,987	-	-	6,313,079
Depreciation, amortization	13,102,032	412,643	-	29,600	13,544,275
Net income (loss)	(6,405,609)	(173,155)	389,263	(1,603,962)	(7,793,463)
Additions:					
Real estate and equipment	36,514,148	2,290,000	-	-	38,804,148

Total Assets

	Self Storage	Portable Storage	Management Division	Corporate	Total
As at December 31, 2018	\$ 967,246,443	\$ 19,827,440	\$ 17,795,589	\$ 17,921,945	\$ 1,022,791,417
As at March 31, 2019	\$ 994,044,254	\$ 19,984,943	\$ 19,177,661	\$ 11,707,233	\$ 1,044,914,091

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For the Three Months Ended March 31, 2019 and 2018
(Unaudited)

13. Investment in Joint Venture

On February 1, 2018, the Corporation purchased the remaining 50% interest in the JV (Note 4). The investment in the JV prior to the purchase was accounted for using the equity method in accordance with IAS 28.

Financial statements for the JV are as follows:

	<u>January 31, 2018</u>
Assets	\$ -
Liabilities	-
Total net assets	<u>-</u>
Proportion of ownership interest held by the Corporation	
Carrying amount of investment in joint venture	<u><u>\$ -</u></u>
	 <u>January 1 to</u> <u>January 31, 2018</u>
Revenues	\$ 220,440
Expenses	
Operating costs	114,905
Interest	5,086
Depreciation and amortization	100,449
Total Expenses	<u>220,440</u>
Income (Loss) for the period	-
Proportion of ownership interest held by the Corporation	50%
Corporation's share of income (loss) for the period	<u><u>\$ -</u></u>

14. Commitments and Contingencies

Lease Liabilities

The Corporation leases buildings and lands in Winnipeg, MB, Kamloops, BC and Montreal, QC. The leases expire between 2023 and 2054, with the leases expiring in 2027 and 2032 having up to 20 years and 25 years of renewals, respectively, which are expected to be exercised by the Corporation.

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

For the three months ended March 31, 2019, the Corporation recognized \$209,578 (March 31, 2018 - \$nil) in interest expense related its lease liabilities. As a result of the adoption of IFRS 16, the Corporation recognized \$nil (March 31, 2018 - \$271,114) in operating lease payments.

Contingency

The Corporation has no legal contingency provisions at either March 31, 2019 or December 31, 2018.

15. Subsequent Events

On April 12, 2019, the Corporation announced the completion of the purchase of two stores, a 4 acre storage lot in Ontario and the assets and business of RecordXpress, an information records management business, for an aggregate purchase price of \$32.5 million.

On April 15, 2019, the Corporation announced the completion of the purchase of 38 self storage locations operating under the brand of "Real Storage" in Ontario, Alberta, British Columbia and Manitoba for \$275 million.

On April 15, 2019, the Corporation entered into a \$320 million credit agreement for a 3 year term. This credit facility replaces a \$270 million revolving credit facility and repaid the remaining \$83 million of outstanding indebtedness. In connection with the new credit agreement, the Corporation also entered into a 7 year interest rate swap transaction that will provide a fixed rate on \$300 million of its senior secured debt until April 2026.

On May 14, 2019, the Corporation announced that it has entered into two separate agreements to acquire two stores in Ontario and one in British Columbia from two vendor groups for an aggregate purchase price of \$55 million, with between \$7 million to \$10 million of purchase price to be funded in common shares at the higher of \$2.80 or 10 day VWAP per common share.

On May 14, 2019, the Corporation approved, based on strong quarterly results, increasing its quarterly dividend for Q2 2019 by 0.5%.

StorageVault Canada Inc.

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