SHERIDAN BROTHERS TRUST

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Management Discussion and Analysis
For the Year Ended December 31, 2017
Report Dated – April 20, 2018

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with Sheridan Brothers Trust's (the "Fund") audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2017. This MD&A is dated April 20, 2018.

References to "We", "our", "Sheridan", or "the Fund" mean Sheridan Brothers Trust and its subsidiary, Sheridan Brothers Limited Partnership (the "Partnership"), unless the context requires otherwise.

The audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts expressed are presented in Canadian dollars, unless expressly stated otherwise. The audited consolidated financial statements include the accounts of Sheridan Brothers Trust and its subsidiary, Sheridan Brothers Limited Partnership.

The following discussion contains forward-looking statements, which are subject to risks and uncertainties and other factors that may cause the Fund's results to differ materially from expectations. When reviewing the Fund's forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risk relating to market fluctuations, investee performance, strength of the North American and European economy, foreign exchange fluctuations and other risks not yet known to the Fund. These forward-looking statements speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Fund disclaims any intention or obligation to update these forward-looking statements. The Fund does have an ongoing obligation to disclose material information as it become available. The discussion also includes cautionary statements about these matters. You should read the cautionary statements made below as being applicable to all forward-looking statements wherever they appear in this document.

Additional information relating to the Corporation is on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Overview

Sheridan Brothers Trust is an unincorporated open-ended, limited purpose mutual fund trust established under the laws of the Province of Ontario pursuant to a Deed of Trust dated December 28, 2006 (amended and restated on February 21, 2007). The Fund is headquartered at 73 Richmond Street West, Suite 212 in Toronto, Canada.

The Fund's primary source of revenue for the year ended December 31, 2017 was rent collected on subleasing its premises.

SELECTED FINANCIAL AND OPERATING RESULTS

Results of Operations

Financial highlights of the results of our operations for the years ended December 31, 2017, December 31, 2016 and December 31, 2015 are as follows:

	Year Ended Dec 31, 2017	Year Ended Dec 31, 2016	Year Ended Dec 31, 2015
Revenue	$ 187,770	$ 217,195	$ 223,093
Operating expenses	(153,803)	(249,384)	(253,218)
Net income (loss) before tax	33,967	(32,189)	(30,125)
Income taxes	-	-	-
Gain on settlement of debts	-	141,873	-
Comprehensive income (loss)	33,967	109,684	(30,125)
Earnings per unit – basic & diluted	0.01	0.02	(0.01)

Consolidated Statements of Financial Position highlights:

	December 31, 2017	December 31, 2016	December 31, 2015
Cash	$ 34,299	$ 9,070	$ 4,594
Current assets	3,250,152	15,478	4,594
Total assets	3,250,152	15,478	42,344
Current liabilities	3,247,603	46,896	183,446
Total liabilities	3,247,603	46,896	183,446
Unitholders' equity	2,549	(31,418)	(141,102)

For the year ended December 31, 2017 revenue totaled $187,770, which is comprised of approximately 102% of rental revenue, (4%) of trading losses, and 2% of interest income. This compares to the year ended December 31, 2016 where revenue totaled $217,195, comprised of approximately 99.9% rental revenue and 0.1% of interest and other income. Revenue averaged $15,648 per month for the year ended December 31, 2017, and averaged $18,100 per month for the year ended December 31, 2016. The year ending December 31, 2017, the Fund has eight tenants paying rent totaling $16,000 per month. This compares to the year ending December 31, 2016, where effective January 1, 2016, the Fund had eleven tenants paying rent totaling $21,000 per month began, and effective May 31, 2016, three tenants paying rent totaling $5,000 per month terminated their tenancies.

Expenses for the year ended December 31, 2017 totaled $153,803 all of which was general and administrative. This compares to the year ended December 31, 2016, where expenses totaled $249,384, of which approximately 85% was general and administrative, and 15% related to amortization and impairment.

Net income for the year ended December 31, 2017 was $33,967 or approximately $0.01 per unit compared to net income of $109,684, or approximately $0.02 per unit for the year ended December 31, 2016. Despite lower rental revenues in 2017 compared to 2016, operating expenses in 2017 decreased substantially from the prior year, leading to profitable operations.

Historical Quarterly Information

The following table sets forth selected quarterly information for the 8 most recent quarters:

	2017	**2017**	**2017**	**2017**
	Q4	**Q3**	**Q2**	**Q1**
Revenue	131,145	(39,850)	17,784	78,691
Expenses	37,345	36,027	42,103	38,328
Net Income (Loss) before taxes	93,800	(75,877)	(24,319)	40,363
Income (Loss) Per Unit – basic and diluted	0.03	(0.02)	(0.01)	0.01

	2016	**2016**	**2016**	**2016**
	Q4	**Q3**	**Q2**	**Q1**
Revenue	47,916	48,014	64,070	57,195
Expenses	89,101	50,438	51,321	58,524
Gain on Settlement of Debts		141,873		
Net Income (Loss) before taxes	(41,185)	139,449	12,749	(1,329)
Income (Loss) Per Unit – basic and diluted	(0.01)	0.03	0.00	(0.00)

Quarterly Trend Analysis

In 2017 quarterly revenues fluctuated due to the trading gains & losses, despite stable rental revenues. This compares to 2016 quarterly revenues which grew over the first two quarters, then decreased in Q3 and Q4 due to the loss of three tenants. The largest categories of expenses are rent and occupancy costs, which were consistent each quarter of 2017 and were significantly lower than in each quarter of 2016.

Fourth Quarter Ended December 31, 2017

Revenue for the fourth quarter of 2017 was $131,145, compared to the fourth quarter of 2016, which was $47,916. The Fund’s primary source of revenue is rental income, and in 2017 began trading securities. Revenue has increased from the third quarter of 2017 due to increased trading revenues.

Expenses for the fourth quarter of 2017 were $37,345 or approximately 28% of revenues, as compared to the fourth quarter of 2016 where expenses were $89,101 or approximately 186% of revenue.

Net income before taxes for the fourth quarter of 2017 was $93,800, compared to a net loss before taxes of ($41,185) for the fourth quarter of 2016.

Cash Flows

Cash provided by operating activities for the year ended December 31, 2017 was $31,553, while cash provided by operating activities for the year ended December 31, 2016 was $2,976. The increase in cash flow from operations is largely attributable to lower general and administrative expenses.

Cash provided by financing activities for the year ended December 31, 2017 was $2,515,000, while cash provided by financing activities for the year ended December 31, 2016 was $1,500. The cash received from financing were loans payable to related parties.

Cash used in investing activities for the year ended December 31, 2017 was ($2,521,324), compared to $nil for the year ended December 31, 2016.

Liquidity and Capital Resources

As at December 31, 2017, cash totaled $34,299 with working capital of $2,549. As at December 31, 2016, cash totaled $9,070 and working capital was a deficit of $31,418. The Fund is reliant on monthly rent collected to meet its liabilities and contractual obligations as they come due.

Current holdings of cash along with rental revenue provide sufficient levels of cash for operating for the reasonably foreseeable future.

The Fund is no longer subject to any externally imposed capital requirements, after its resignation as a registered securities dealer.

Debt

The Fund's only debts outstanding are the following loans payable:

		2017		2016
Norstar Financial Services Inc.	$	2,525,000	$	-
Tough-Oakes Exploration Ltd.		-		10,000
	$	2,525,000	$	10,000

Each of the above corporations are related parties, which are controlled by the President and Trustee of the Fund. These loans are all unsecured, non-interest bearing, and are due on demand. These loans were advanced for general working capital and investment purposes.

Distributions and Distributable Cash

No distributions were made for the year ended December 31, 2017 nor for the year ended December 31, 2016.

Distributable cash is determined by the Board of Trustees and takes into consideration cash reserves deemed to be reasonable and necessary for the operation of the Fund and its associated entity. The Fund's distributable cash may not be directly comparable to distributable cash reported by other income trusts or similar issuers.

Unitholder's Equity

The Fund is authorized to issue an unlimited number of trust units and special voting units. As at December 31, 2017 there were 4,720,000 trust units issued and outstanding. There has been no change to the number of issued and outstanding trust units as at April 20, 2018.

Upon settlement of the convertible debentures, the Fund no longer has any dilutive instruments outstanding.

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations.

(a) The Fund subleases its office space to various entities controlled by a trustee of the Fund. Rent received from these entities totaled $192,000 for the year ended December 31, 2017 (2016 - $217,000). Each of the leases is on a month-to-month basis.

(b) Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Fund. The Fund considers its President and CFO to be key management personnel. Compensation of key management personnel for the years ended December 31, 2017 totalled $14,080 (2016 - $10,000) in consulting fees and $14,371 in salaries and benefits (2016 - $25,938).

(c) The Fund has loans payable to related parties as described above.

Critical Accounting Judgments, Estimates, and Assumptions

Preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates, and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty and judgment considered by management in preparing the consolidated financial statements are as follows:

Amount of Accrued Liabilities

Accrued liabilities are recorded based on an estimate of unbilled work performed by the Fund's vendors as well as any other payments which the Fund will be required to make in relation to the current year's operations. Management makes these estimates based on historical billings and its knowledge of current operations. These estimates will affect the reported amounts of accrued liabilities and general expenses.

Going Concern

Management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. However, material uncertainty exits that casts significant doubt upon the Fund's ability to continue as a going concern.

Change in Accounting Policies

Effective January 1, 2016, the Fund has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

(a) IAS 7, *Statement of Cash Flows* ("IAS 7") – In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017.

(b) IAS 12, *Income Taxes* ("IAS 12") – In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017.

Going Concern

These audited consolidated financial statements have been prepared on the going concern basis, which assumes that the Fund will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown in these consolidated financial statements and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Fund be unable to continue as a going concern.

As at December 31, 2017, the Fund has working capital of $2,549 (2016 - $31,418) and an accumulated deficit of $995,535 (2016 – $1,029,502).

The Fund's viability depends on future profitability or the injection of new capital through loans or the issuance of trust units. Future profitability depends on the Fund's ability to manage costs and optimize the rental of its office space.

FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. The Fund's maximum exposure to credit risk as at December 31, 2017 is $3,213,799 (2016 - $9,070), being the amount of the Fund's cash balances, due from broker, and receivables. Management believes these receivables are a low credit risk. There have been no changes to the Fund's method for managing credit risk during the year.

Liquidity Risk

Liquidity risk is the risk that the Fund will have sufficient cash resources to meet its financial obligations as they come due. The following is a maturity analysis of financial liabilities based on their contractual maturities:

	Payments due by period			
	Less than 1 year	1 - 3 years	4 - 5 years	Total
December 31, 2017				
Securities sold short	$ 671,536	$ -	$ -	$ 671,536
Accounts payable	51,067	-	-	51,067
Loans payable	2,525,000	-	-	2,525,000
	$ 3,247,603	$ -	$ -	$ 3,247,603
December 31, 2016				
Accounts payable	$ 30,896	$ -	$ -	$ 30,896
Loans payable	10,000	-	-	10,000
Unearned revenue	6,000			6,000
	$ 46,896	$ -	$ -	$ 46,896

The following is a liquidity analysis of the Company's assets:

	Liquidity by period			
	Less than 1 year	More than 1 year	Non-liquid	Total
December 31, 2017				
Cash	$ 34,299	$ -	$ -	$ 34,299
Accounts receivable	24,960	-	-	24,960
Securities owned	28,897	-	-	28,897
Due from broker	3,154,540	-	-	3,185,673
Precious metals	1,171	-	-	1,171
Prepaid expenses	6,285	-	-	5,896
	$ 3,250,152	$ -	$ -	$ 3,250,152
December 31, 2016				
Cash	$ 9,070	$ -	$ -	$ 9,070
Prepaid expenses	6,408	-	-	6,408
	$ 15,478	$ -	$ -	$ 15,478

The loans payable are all due from related parties controlled by the President of the Fund. The fund intends to pay its liabilities through the ongoing collection of rents. There have been no changes to the Fund's method for managing liquidity risk since December 31, 2016.

Market Risk

Market risk is comprised of equity price risk, foreign currency risk, and interest rate risk. The Company's exposure to these risks is described below.

Equity Price Risk

Equity price risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in stock market prices. The value of the Company's investments owned and sold short are affected by changes in market prices. Management reduces its exposure to market prices by holding investments for short periods of time. The Company also manages market risk by having a diversified portfolio which is not singularly exposed to any one or class of issuers. There have been no changes in the Company's risk management strategies for the year ended December 31, 2017.

A sensitivity analysis of the impact on the net income (loss) of the Company for changes in the market prices of investments owned and sold short is presented below:

	2017	2016
Market rises by 10%	$ (64,264)	$ -
Market rises by 5%	(32,132)	-
No change	-	-
Market falls by 5%	21,558	-
Market falls by 10%	36,903	-

The above sensitivity analysis does not give effect to the timing of changes in fair value, or the effect of management actions that may be taken to mitigate unfavorable market movements. The effect of timing is relevant to the above analysis, as the Company holds several positions in options which have short term expiry dates.

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Company's future cash flows. The Company is exposed to foreign exchange fluctuations in the following instruments denominated in United States ("US") dollars. There have been no changes in the Company's risk management strategies for the year ended December 31, 2016.

	2017	2016
Due from broker	$ 617,843	$ -
Investments owned	28,897	-
Investments sold short	(671,536)	-
	$ (24,796)	$ -

A sensitivity analysis of the impact on the Company's net income (loss) for changes in the exchange rate on US dollars is presented below:

	2017	2016
Increases by 4%	$ (992)	$ -
Increases by 2%	(496)	-
No change	-	-
Decreases by 2%	496	-
Decreases by 4%	992	-

Off-Balance Sheet Arrangements

The Fund has no off-balance sheet arrangements at this time.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Caution Regarding Forward-Looking Statements

Statements contained in this document, which are not historical facts are forward looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause differences include, but are not limited to, volatility and sensitivity to market prices, environmental and safety issues, changes in government regulations and policies and significant changes in the supply-demand fundamentals that could negatively affect prices. Although the Fund believes that the assumptions used are reasonable, these statements should not be heavily relied upon. The Fund disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.