SHERIDAN BROTHERS TRUST

15 Polson Street, Toronto, Ontario M5A 1A4 Tel: 416-619-2005 Fax: 416-619-2011

Management Discussion and Analysis
For the Year Ended December 31, 2018
Report Dated – April 23, 2019

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, 2018. This MD&A is dated April 23, 2019.

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 15 Polson Street in Toronto, Ontario M5A 1A4.

The Fund's primary source of revenue for the year ended December 31, 2018 was rent collected on subleasing its premises and trading income.

SELECTED FINANCIAL AND OPERATING RESULTS

Results of Operations

Financial highlights of the results of our operations for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 are as follows:

	Year Ended Dec 31, 2018	Year Ended Dec 31, 2017	Year Ended Dec 31, 2016
Revenue	$ 112,709	$ 187,770	$ 217,195
Operating expenses	(203,087)	(153,803)	(249,384)
Net income (loss) before tax	(90,378)	33,967	(32,189)
Income taxes	-	-	-
Gain on settlement of debts	-	-	141,873
Comprehensive income (loss)	(90,378)	33,967	109,684
Earnings per unit – basic & diluted	(0.02)	0.01	0.02

Consolidated Statements of Financial Position highlights:

	December 31, 2018	December 31, 2017	December 31, 2016
Cash	$ 6,866	$ 34,299	$ 9,070
Current assets	3,167,874	3,250,152	15,478
Total assets	3,167,874	3,250,152	15,478
Current liabilities	3,255,703	3,247,603	46,896
Total liabilities	3,255,703	3,247,603	46,896
Unitholders' equity	(87,829)	2,549	(31,418)

For the year ended December 31, 2018 revenue totaled $112,709, which is comprised of approximately 122% of rental revenue, (22%) of trading losses, and 0% of interest and other income. This compares to the year ended December 31, 2017 where revenue totaled $187,770, comprised of approximately 102% of rental revenue and (4%) of trading losses, and 2% interest and other income. Revenue averaged $9,392 per month for the year ended December 31, 2018, and averaged $15,648 per month for the year ended December 31, 2017. The year ending December 31, 2018, the Fund has five tenants paying rent totaling $10,000 per month, having lost three tenants throughout the year. This compares to the year ending December 31, 2017, the Fund has eight tenants paying rent totaling $16,000 per month.

Expenses for the year ended December 31, 2018 totaled $203,087 all of which was general and administrative. This compares to the year ended December 31, 2017, where expenses totaled $153,803, all of which was general and administrative.

Net income for the year ended December 31, 2018 was ($90,378) or approximately ($0.02) per unit compared to net income of $33,967, or approximately $0.01 per unit for the year ended December 31, 2017. Lower rental revenues in 2018 compared to 2017 and higher general and administrative expenses in 2018 compared to the prior year, are primarily responsible for the loss.

Historical Quarterly Information

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

	2018	**2018**	**2018**	**2018**
	Q4	**Q3**	**Q2**	**Q1**
Revenue	(33,128)	(75,789)	43,619	178,007
Expenses	49,672	51,751	60,457	41,207
Net Income (Loss) before taxes	(82,800)	(127,540)	(16,838)	136,800
Income (Loss) Per Unit – basic and diluted	(0.02)	(0.03)	(0.00)	0.03

	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

Quarterly Trend Analysis

Quarterly revenues fluctuated as a result of trading gains and losses, despite relatively stable rental revenues. The largest category of expenses are rent and occupancy costs, which increased in 2018 over 2017.

Fourth Quarter Ended December 31, 2018

Revenue for the fourth quarter of 2018 was ($33,128), compared to the fourth quarter of 2017, which was $131,145. The Fund's primary source of revenue is rental income. Revenue has increased from the third quarter of 2018 due to reduced trading losses.

Expenses for the fourth quarter of 2018 were $49,672 or approximately (150%) of revenues, as compared to the fourth quarter of 2017 where expenses were $37,345 or approximately 28% of revenue.

Net loss before taxes for the fourth quarter of 2018 was ($82,800), compared to a net income before taxes of $93,800 for the fourth quarter of 2017.

Cash Flows

Cash used in operating activities for the year ended December 31, 2018 was $36,810, while cash provided by operating activities for the year ended December 31, 2017 was $31,553. The decrease in cash flow from operations is largely due to the net loss and changes is non-cash working capital.

Cash used in financing activities for the year ended December 31, 2018 was $25,000, while cash provided by financing activities for the year ended December 31, 2017 was $2,515,000. The cash used in financing in 2018 was for a partial repayment of a loan to related parties.

Cash provided by investing activities for the year ended December 31, 2018 was $34,377, compared to cash used in investing activities of $2,521,324 for the year ended December 31, 2017.

Liquidity and Capital Resources

As at December 31, 2018, cash totaled $6,866 with working capital of ($87,829). As at December 31, 2017, cash totaled $34,299 and working capital was a deficit of $2,549. 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 not subject to any externally imposed capital requirements.

Debt

The Fund's only debts outstanding is the following loan payable:

	2018	2017
Norstar Financial Services Inc.	$ 2,515,000	$ 2,525,000

The above corporation is controlled by the President and Trustee of the Fund. The loan is unsecured, non-interest bearing, and is due on demand. The loan was advanced to the Fund for their investing and general working capital purposes.

Distributions and Distributable Cash

No distributions were made for the year ended December 31, 2018 nor for the year ended December 31, 2017.

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, 2018 there were 4,720,000 trust units issued and outstanding. Subsequent to December 31, 2018, the Fund issued 12,000 units at a price of $0.01 per unit, for gross proceeds of $120. All of these units were subscribed for by trustees, officers, and employees of the Fund, and their family members.

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 $138,000 for the year ended December 31, 2018 (2017 - $192,000). 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, 2018 totalled $12,000 (2017 - $14,080) in consulting fees and $14,603 in salaries and benefits (2017 - $14,371).

(c) The Fund has a loan payable to related party as described above.

(d) The Fund has a loan receivable due from the President of the Fund in the amount of $15,000. The loan is unsecured, non-interest bearing, and is due on demand. The loan was repaid in full on April 15, 2019.

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, 2018, 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) IFRS 2, *Share-based Payment* ("IFRS 2") - In June 2016, the IASB issued amendments to IFRS 2, which expands upon the guidance for recognizing a liability for cash-settlement of a share-based payment as well as transactions with a net settlement feature for withholding tax obligations. These amendments are effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 4, *Insurance Contracts* ("IFRS 4") - In September 2016, the IASB issued amendments to IFRS 4, which permits insurers to apply the overlay approach to designated financial assets and to reclassify in specified circumstances some or all of their financial assets so that the assets are measured at fair value through profit or loss. These amendments are effective for periods beginning on or after January 1, 2018.

(c) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2015, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018.

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, 2018, the Fund has negative working capital of $87,829 (2017 – positive working capital of $2,549) and an accumulated deficit of $1,085,913 (2017 – $995,535).

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, and realize profits on the sale of its investments.

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 is presented below. The Company holds collateral under its security lending arrangements, but does not have collateral towards any of the other receivable balances and considers credit risk to be low.

		2018		2017
Cash	$	6,866	$	34,299
Due from broker		1,768,849		3,154,540
Accounts receivable		-		24,960
Loan receivable		15,000		-
	$	1,790,715	$	3,213,799

The allowance for doubtful accounts and bad debt expense are $Nil for the years ended December 31, 2018 and 2017. There have been no changes to the Fund's method for managing credit risk since December 31, 2017.

Liquidity Risk

Liquidity risk is the risk that the Fund will not 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, 2018								
Securities sold short	$	680,102	$	-	$	-	$	680,102
Accounts payable		60,601		-		-		60,601
Loans payable		2,515,000		-		-		2,515,000
	$	3,255,703	$	-	$	-	$	3,255,703
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

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, 2018				
Cash	$ 6,866	$ -	$ -	$ 6,866
Investments owned	1,363,464	-	-	1,363,464
Due from broker	1,768,849	-	-	1,768,849
Loan receivable	15,000	-	-	15,000
Precious metals	1,171	-	-	1,171
Prepaid expenses and sundry	12,524	-	-	12,524
	$ 3,167,874	$ -	$ -	$ 3,167,874
December 31, 2017				
Cash	$ 34,299	$ -	$ -	$ 34,299
Investments owned	28,897	-	-	28,897
Due from broker	3,154,540	-	-	3,154,540
Accounts receivable	24,960	-	-	24,960
Precious metals	1,171	-	-	1,171
Prepaid expenses and sundry	6,285	-	-	6,285
	$ 3,250,152	$ -	$ -	$ 3,250,152

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, 2017.

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 and commodity market prices. The Fund is exposed to market price fluctuations on the following instruments. Management reduces its exposure to market prices by holding investments for short periods of time. There have been no changes in the Company's risk management strategies for the year ended December 31, 2017.

	2018	**2017**
Investments owned	1,363,464	28,897
Investments sold short	(680,102)	(671,536)

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:

	2018	**2017**
Market rises by 10%	$ (9,487)	$ (64,264)
Market rises by 5%	(1,197)	(32,132)
No change	-	-
Market falls by 5%	(37,253)	21,558
Market falls by 10%	(122,124)	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, 2017.

		2018		2017
Due from broker	$	(778,455)	$	617,843
Investments owned		1,363,464		28,897
Investments sold short		(680,102)		(671,536)
	$	(95,093)	$	(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:

		2018		2017
Increases by 4%	$	(23,398)	$	(992)
Increases by 2%		(11,699)		(496)
No change		-		-
Decreases by 2%		11,699		496
Decreases by 4%		23,398		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.