

**SHELTERED OAK RESOURCES CORP.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**SECOND QUARTER ENDED JUNE 30, 2010**

**Prepared as of August 30, 2010**

**INTRODUCTION**

This management discussion and analysis (“MD&A”) of results and operations and financial condition of Sheltered Oak Resources Corp. (“Sheltered” or “the Company”) constitutes management’s review of the operating and financial results of the Company for the second quarter ended June 30, 2010. The MD&A supplements, but does not form part of, the consolidated financial statements of the Company and should be read in conjunction with Sheltered’s audited consolidated financial statements and related notes for fiscal years 2009 and 2008. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”), presented in Canadian dollars. Sheltered is listed on the TSX Venture Exchange and as such, the following MD&A is prepared in accordance with requirements for venture issuers.

For purposes of preparing this MD&A, management in conjunction with the Board of Directors consider the materiality of information. Information is considered material if; (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Sheltered common shares (“Common Shares”); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management in conjunction with the Board of Directors evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Sheltered’s website at [www.shelteredoak.com](http://www.shelteredoak.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company is a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta and Ontario and its outstanding Common Shares are listed on the Toronto Venture Stock Exchange under the symbol “OAK”.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION**

Certain statements contained in this management’s discussion and analysis may contain forward-looking information.

Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “estimate”, “expect”, “goal”, “intend”, “may”, “plan” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives,

assumptions, intentions or statements about future events or performance. Forward-looking information disclosed herein includes:

- timing and commencement of drilling and other planned exploration;
- future financings; and
- expectations to report NI 43-101 compliant mineral resources.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by any forward-looking information. Factors that could cause actual results to differ materially from any forward-looking information include, but are not limited to:

- inability to complete future financings to finance exploration;
- unsuccessful exploration results;
- changes in costs of drilling and other planned exploration; and
- the speculative nature of resource exploration.

Readers are cautioned not to place undue reliance on forward-looking information, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking information while considering the risks set forth under the heading “Risk Factors” in the Filing Statement. The Company is under no obligation to publicly update or otherwise revise any forward-looking information, whether as a result of new information, future events or other such factors which affect this information, except in accordance with applicable securities laws.

## **OVERVIEW**

Sheltered is a junior mineral exploration company which, through its 100% owned subsidiary Sheltered Oak Resources Inc. (“SOR”), has acquired a 100% interest in the Kerrs Gold Property (“Property”) which consists of 43 unpatented mining claims and 12 leasehold interests located in the Matheson area of Ontario. The Property was acquired from Sage Gold Inc. (“Sage”) for consideration of 2 million Common Shares and a deferred cash payment of \$500,000 to be paid to Sage on or before December 22, 2010. Sheltered’s obligation to pay the deferred purchase price is secured by a charge on the Property. Sage will receive a 2% Net Smelter Royalty on the Property of which 1% can be purchased from Sage by Sheltered at any time for \$500,000. Sheltered will also pay to Sage an advance royalty payment of \$125,000, payable in five annual instalments with the first payment due on December 22, 2011. Further details about the Property can be found in the Company’s Filing Statement dated August 18, 2008 and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Subsequent to the end of the second quarter of 2010 Sage and Sheltered agreed to settle the \$500,000 obligation for an immediate cash payment of \$400,000. The security interest of Sage has subsequently been discharged.

## **INTERESTS IN MINERAL PROPERTIES**

### **Kerrs Gold Property**

Sheltered, through its 100% owned subsidiary SOR, acquired a 100% interest in the Kerrs Gold Property consisting of 43 unpatented mining claims and 12 leasehold interests located in the Matheson area of Ontario.

A copy of the NI 43-101 Technical Report is available at [www.sedar.com](http://www.sedar.com) under the filings for Sheltered. The first reported results from the Phase 4 diamond drill program were released on January 20, 2010. Results to date of prior drillings have been reported in press releases dated November 20, 2008 and February 18, 2009 and can be found on [www.sedar.com](http://www.sedar.com). To date, thirteen drill holes (K-08-17 through 21 and K-09-22B through 29) have been completed totalling 6,053 metres.

The Phase 5 drilling program will comprise in-fill drilling of the Kerrs Green Carbonate Breccia Zone. General mobilization of the drilling program involving two drills commenced in late June. This program will be completed in the third quarter ending September 30, 2010. The results of this program will provide the geotechnical data required to prepare an NI 43-101 compliant resource estimate of the mineralization. The resource estimate is expected to be published before the end of the fourth quarter ending December 31, 2010.

The surface diamond drilling programs involving geological core logging, sampling and assaying tasks were supervised by Peter Hubacheck, P.Geol. #1059 (APGO) on behalf of Hubacheck Consulting Geologists (HCG), affiliated with W.A. Hubacheck Consultants Ltd. Peter Hubacheck is a qualified person as defined by NI-43-101 and has reviewed and authorized the geotechnical material in this MD&A. Mr. Hubacheck is a Director of the Company.

### **Kerrs Goldcorp Property**

On May 10, 2010, the Company signed a letter of intent (“LOI”) to enter into an option agreement (“Option Agreement”) with Goldcorp Canada Ltd. (“Goldcorp”) and Goldcorp Inc. concerning the mining rights of 46 individual leases covering 781 hectares located in Kerrs Township in the Larder Lake mining district (the “Property”), part of the Abitibi Greenstone Belt in northern Ontario.

The Property is held by the Porcupine Gold Mines Joint Venture between Goldcorp and Goldcorp Inc. The LOI proposes entering into an option agreement that would give Sheltered the opportunity to earn a 60% interest in the Property by spending \$2.6 million in exploration expenditures, completing 14,000 metres of core diamond drilling and making option payments of \$150,000 prior to December 31, 2014, and issuing \$900,000 worth of common shares of Sheltered prior to the exercise of the option. Pursuant to the Option Agreement, Sheltered would

be committed to spending \$1.1 million in exploration expenditures, completing 5,000 metres of core diamond drilling and making option payments of \$100,000 prior to December 31, 2012, and issuing \$300,000 worth of common shares of Sheltered prior to the second anniversary of signing the Option Agreement.

Once a 60% interest is earned by the Company, Sheltered and Goldcorp would enter into a definitive joint venture agreement. Sheltered would be the operator of the Property during the option term and remain the operator unless and until Goldcorp acquires a majority interest in the joint venture. Upon Sheltered earning a 60% interest, Goldcorp may elect, within 90 days, to earn back from Sheltered a 30% interest in the Property by performing \$2.6 million of exploration expenditures within two years of exercising its earn-back right. If Goldcorp successfully exercises this earn-back right Sheltered would then own a 40% interest.

Upon the Company earning a 60% interest and if Goldcorp does not exercise its earn-back right, following the expenditure of \$5.2 million on joint venture operations on the property, Goldcorp would have the right to exercise the right to acquire from Sheltered a 20% interest in the Property by paying Sheltered 125% of the aggregate of the total minimum qualifying expenditures incurred by Sheltered during the option period and Sheltered's pro rata contribution to the joint venture expenditures. If Goldcorp successfully exercised this back-in right, Sheltered would own a 40% interest in the Property.

Completion of this transaction is subject to certain conditions including, without limitation, the signing of a definitive Option Agreement, approval of Goldcorp's senior management, and acceptance of the TSX Venture Exchange. Sheltered has given Goldcorp a conditional deposit of \$25,000.

### **Terry Zone Property**

On April 9, 2010 the Company announced that, through its subsidiary SOR, it had entered into an agreement with two individuals to acquire an interest in the Terry Zone Property and a separate agreement with a corporation which also has an interest in the Property.

Subsequent to the end of the second quarter of 2010 the Company withdrew its offer to acquire the property as one of the claimholders decided not to proceed. Accordingly, all costs incurred relating to the property were written off in the second quarter 2010 financial statements.

### **ENVIRONMENTAL LIABILITIES**

The Company is not aware of any environmental liabilities or obligations associated with its property interests. The Company is conducting its operations in a manner that is consistent with governing environmental legislation.

## FINANCINGS

On June 30, 2010, the Company completed the first tranche of its private placement of units and flow-through units for aggregate proceeds of \$1,476,200. The Company issued 3,680,000 units (the “Units”) at a price of \$0.09 per Unit and 11,450,000 flow-through units (the “FT Units”) at a price of \$0.10 per FT Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a “Warrant”). Each FT Unit was issued on a flow-through basis and is comprised of one common share and one-half of one Warrant. Each whole warrant shall entitle its holder to acquire a common share of the Company at an exercise price of \$0.12 per share and expire on December 31, 2011.

In connection with the private placement, the Company paid finders’ fees of \$118,096 and issued 1,513,000 non-transferable broker warrants to the finders. Each broker warrant is exercisable into one unit on similar terms as each Unit described above. Each broker warrant will expire on December 31, 2011.

## RESULTS OF OPERATIONS

### *Three months ended June 30, 2010 compared with the three months ended June 30, 2009.*

Sheltered’s operations in the second quarter of fiscal 2010 were focused on negotiating the property deal with Goldcorp and arranging additional financing, and the Company did not generate any operating revenue. Net loss for the quarter was \$175,293 compared to a net loss of \$393,038 for the corresponding quarter in the prior year, with the decreased loss being primarily due to lower general and administrative expenses and lower write-offs of exploration property costs as follows:

- Professional fees for the quarter ended June 30, 2010 were \$16,310 (quarter ended June 30, 2009 - \$77,156); a decrease of \$61,026 compared to the same period in 2009. This decrease is primarily attributable to reduced fees from the Company’s President, lower charges from the Wahgoshig First Nation and a reclassification of legal fees from expense to a related cost of financing.
- Stock-based compensation expense during the quarter ended June 30, 2010 was \$574 (quarter ended June 30, 2009 - \$29,287); a decrease of \$28,713 compared to the same period in 2009. Stock-based compensation expense varies due to the vesting terms of options. Users of the financial statements should be cautious of the valuation of stock-based compensation since its calculation is subjective and can impact net loss significantly.
- Shareholder information expense for the quarter ended June 30, 2010 was \$11,044 (quarter ended June 30, 2009 - \$22,525); a decrease of \$11,481 compared to the same period in 2009. The decrease was related to a reduction in legal costs related to the Company’s yearend reporting and Annual General Meeting.

- Write-offs of exploration property costs for the quarter ended June 30, 2010 were \$71,184 (quarter ended June 30, 2009 - \$180,990); a decrease of \$109,806 compared to the same period in 2009. In the current period the Company wrote off its costs related to the Terry property while in the prior year's comparable period the Company wrote off its costs related to the Chibougamau and Malartic properties.

### *Summary of Quarterly Results*

The following tables set out financial performance highlights for the last eight quarters and were prepared in accordance with Canadian GAAP.

	<b>Second Quarter</b> June 30, 2010	<b>First Quarter</b> Mar. 31, 2010	<b>Fourth Quarter</b> Dec. 31, 2009	<b>Third Quarter</b> Sept. 30, 2009
	\$	\$	\$	\$
Net revenues	-	-	-	-
Expenses	104,109	170,481	373,341	260,468
Net income (loss) (including interest income)	(175,293)	(7,380)	(226,179)	(259,166)
Net income (loss) per share	-	-	(0.01)	(0.01)
Cash flow from (used in) operations	(17,205)	(223,733)	(357,201)	(59,709)
Cash, end of period	1,209,610	74,827	339,978	1,190,881
Total assets	4,811,673	3,669,643	3,847,578	3,180,258

	<b>Second Quarter</b> June 30, 2009	<b>First Quarter</b> Mar. 31, 2009	<b>Fourth Quarter</b> Dec.31, 2008	<b>Third Quarter</b> Sept. 30, 2008
	\$	\$	\$	\$
Net revenues	-	-	-	-
Expenses	212,048	149,475	165,957	205,643
Net income (loss) (including interest income)	(393,038)	(149,475)	(165,930)	(205,643)
Net income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Cash flow from (used in) operations	(198,224)	(556,198)	219,037	(38,888)
Cash, end of period	115,440	356,702	508,307	266,119
Total assets	1,674,729	2,006,042	2,121,744	1,423,557

***Six months ended June 30, 2010 compared with the six months ended June 30, 2009.***

Sheltered's operations in the first six months of fiscal 2010 were focused on property acquisitions, negotiating financing and exploration, and the Company did not generate any operating revenue. Net loss for the period was \$182,673 compared to a net loss of \$542,513 for the corresponding period in the prior year, with the decreased loss being due to lower general and administrative expenses, a reduction in property write-offs, and a future income tax recovery in the current year's period as follows:

- Professional fees for the six months ended June 30, 2010 were \$86,548 (six months ended June 30, 2009 - \$138,607); a decrease of \$52,059 compared to the same period in 2009. This decrease is primarily attributable to reduced fees from the Company's President, lower charges from the Wahgoshig First Nation and a reclassification of legal fees from expense to a related cost of financing.
- Stock-based compensation expense during the six months ended June 30, 2010 was \$8,314 (six months ended June 30, 2009 - \$47,172); a decrease of \$38,858 compared to the same period in 2009. Stock-based compensation expense varies due to the vesting terms of options. Users of the financial statements should be cautious of the valuation of stock-based compensation since its calculation is subjective and can impact net loss significantly.
- Write-offs of exploration property costs for the six months ended June 30, 2010 were \$71,184 (six months ended June 30, 2009 - \$180,990); a decrease of \$109,806 compared to the same period in 2009. In the current period the Company wrote off its costs related to the Terry property while in the prior year's comparable period the Company wrote off its costs related to the Chibougamau and Malartic properties.
- Future income tax recovery for the six months ended June 30, 2010 was \$163,101 as compared to \$nil for the six months ended June 30, 2009. The recovery in the current year is created by the renunciation of the exploration expenses required under the terms of the flow-through common share issuance in fiscal 2009, and has been allocated as a cost of issuing the flow-through shares at the time of renunciation.

***Summary of Year to Date Results***

The following tables set out financial performance highlights for the six month periods ended June 30, 2010 and 2009 and were prepared in accordance with Canadian GAAP.

	<b>Six Months to June 30, 2010</b>	<b>Six Months to June 30, 2009</b>
	\$	\$
Net revenues	-	-
Expenses	274,590	361,523
Net income (loss) (including interest income)	(182,673)	(542,513)
Net income (loss) per share	(0.00)	(0.02)
Cash flow from (used in) operations	(240,938)	(754,422)
Cash, end of period	1,209,610	115,440
Total assets	4,811,673	1,674,729

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has no current sources of revenue and relies on the issuance of common shares to generate funds required to advance its property exploration and fund its administrative overhead. As at June 30, 2010, the Company had cash of \$1,209,610 (June 30, 2009 - \$115,440) and a working capital of \$515,954 (June 30, 2009 - working capital of \$160,685). The working capital at the end of the second quarter of fiscal 2010 is sufficient to support the Company's operating expenses; however additional financing will be required to enable the Company to complete its projected exploration budget for 2010.

Cash used in operations was \$17,205 for the second quarter ended June 30, 2010 compared to a use of cash of \$198,224 for the second quarter in the prior year. The decrease in the current year's period is due to the decrease in general and administrative expenses and a positive change in net non-cash working capital.

Cash used in investing activities was \$137,134 for the quarter ended June 30, 2010, relating principally to cash deposits on drilling contracts.

The Company raised net financing proceeds of \$1,289,122 during the second quarter of 2010 through the issuance of 15,130,000 common shares.

The Company relies on external financings to generate capital. The Company continues to generate net losses. As at the date of this report, the Company has 64,291,902 Common Shares issued and outstanding, 33,293,377 warrants outstanding which would raise \$4,270,311 if exercised in full for unexpired warrants as of the date of this report, and 4,694,250 options outstanding which would raise \$721,350 if exercised in full. The timing of the exercising of warrants and options is dependent upon the warrant and option holders and the related exercise price compared to the Company's stock value at the date of exercise.

Prepaid and sundry receivables as at June 30, 2010 relate primarily to the goods and services tax receivable from the federal government.

Sheltered currently does not have any credit facilities with financial institutions, and does not anticipate that it will generate revenue from its activities in fiscal 2010; therefore it will rely on its ability to obtain equity financing for growth. The Company raised \$1,981,321 (net of costs) in equity financing in fiscal 2009. Management anticipates that it can raise sufficient capital to further explore and develop its properties in the future. However, the Company cannot provide any assurance that financing will be available, and on terms and conditions that would be acceptable to the Company. In the event the Company is unable to raise sufficient capital to finance the non-exploration segment of the business, primarily the administrative costs, the Company's strategy would be to pare back related expenses to match the related capital raised.

The unconsolidated financial statements as at June 30, 2010 have been prepared using Canadian GAAP applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. The consolidated financial statements do not reflect the adjustments to the carrying value of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material. See Note 1 (b) to the unconsolidated financial statements.

Refer to "Risk Management".

## **OUTSTANDING SHARE CAPITAL**

As at August 30, 2010 the Company has 64,291,902 common shares outstanding, 33,293,376 warrants and 4,694,250 stock options. During the second fiscal quarter of 2010 the Company issued 15,130,000 common shares for gross proceeds of \$1,476,200 and issued a total of 9,078,000 warrants and compensation options in conjunction with the financing.

The Company maintains an incentive stock option plan, under which a maximum of 10% of the issued and outstanding Common Shares are reserved for issuance. As at August 30, 2010, the following stock options were outstanding, each exercisable to acquire one Common Share:

Number of stock options	Exercise price	Expiry date
966,250	\$0.20	October 28, 2011
800,000	\$0.10	January 7, 2012
400,000	\$0.12	March 4, 2012
150,000	\$0.20	May 1, 2012
378,000	\$0.45	August 28, 2013

2,000,000	\$0.10	November 26, 2014
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As at August 30, 2010, the following warrants were outstanding, each exercisable to acquire one Common Share:

Number of warrants	Exercise price	Expiry date
1,191,176	\$0.16	December 19, 2010
2,437,500	\$0.18	December 19, 2010
560,000	\$0.10	December 19, 2010
2,750,000	\$0.12	February 12, 2011
392,944	\$0.085	February 12, 2011
1,868,100	\$0.27	August 28, 2011
11,940,000	\$0.10	September 21, 2011
175,200	\$0.095	September 21, 2011
7,565,000	\$0.12	December 31, 2011
1,513,000	\$0.09	December 31, 2011

#### **OFF- BALANCE SHEET ARRANGEMENTS**

Sheltered has no off-balance sheet arrangements in place.

#### **COMMITMENTS**

Pursuant to the terms of the flow-through share agreements, the Company is required to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at June 30, 2010, the Company is committed to incurring approximately \$1,145,000 in qualifying exploration expenditures by December 31, 2011.

#### **MANAGEMENT CHANGES**

Subsequent to the end of the second fiscal quarter of the current year the consulting agreement between the Company and RKH Ltd dated August 28, 2008 was suspended indefinitely due to

the health concerns of Mr. Robert Hanson. Mr. Hanson was RKH's representative in the Company and provided the services of CEO for Sheltered. Concurrent with this modification to the consulting agreement, the Company awarded a discretionary bonus of \$100,000, payable in shares of Sheltered; such payment to be made in 2010 and 2011 as mutually agreed.

Mr. J. J. Elkin, the President of Sheltered, was appointed CEO and President, effective August 4, 2010.

## **TRANSACTIONS WITH RELATED PARTIES**

During the second quarter ended June 30, 2010 the Company paid or accrued consulting fees of \$46,500 (quarter ended June 30, 2009 - \$43,500) to RKH Limited pursuant to a written agreement for the provision of the services that include those of Robert K. Hanson. Mr. Hanson is an officer, director and shareholder of RKH Limited, as well as a director and shareholder of the Company. The Company also paid or accrued \$5,580 (quarter ended June 30, 2009 - \$5,580) for office related expenses.

The Company also paid or accrued professional fees in the amount of \$(3,500) during the second quarter ended June 30, 2010 (quarter ended June 30, 2009 - \$25,000) to Richbert Agencies S.A. pursuant to a written agreement for the provision of the services that include those of J.J. Elkin. Mr. Elkin opted to forego any remuneration during the current year's quarter. Mr. Elkin is currently President and CEO of Sheltered, as well as a Director.

The Company paid or accrued professional fees in the amount of \$12,000 during the second quarter ended June 30, 2010 (quarter ended June 30, 2009 - \$9,022) to Hampson Consulting Services Inc. pursuant to a written agreement for the provision of the services that include those of Art Hampson. Mr. Hampson is currently the Chief Financial Officer of the Company.

During the second quarter ended June 30, 2010 the Company paid or accrued geological consulting fees of \$nil (quarter ended June 30, 2009 - \$33,155) to W.A. Hubacheck Consultants Inc.; a company where the President thereof is a director of Sheltered.

These transactions are in the normal course of business operations and are measured at the exchange amount of consideration established and agreed to by the parties.

## **FUTURE ACCOUNTING CHANGES**

### **International Financial Reporting Standards**

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended March 31, 2011. The Company's interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

***IFRS Transition Plan***

The Company has established a comprehensive IFRS transition plan and has obtained third-party advice to assist with the planning and implementation of its transition plan to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan;

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS First-time Adoption of International Financial Reporting Standards.	In progress, completion expected during Q3, 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q3, 2010
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q3, 2010
Quantification of the financial statement impact of changes in accounting policies.	Throughout 2010
Management and employee education and training	Throughout the transition process

***Impact of Adopting IFRS on the Company's Business***

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting system and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the consolidated financial statements are being trained on the new relevant aspects of IFRS and the anticipated changes to accounting policies. Other individuals who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

### ***First Time Adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company will review these exemptions and exceptions to determine whether any should apply to the Company's IFRS financial statements.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### ***Impact of Adopting IFRS on the Company's Financial Statements***

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

#### ***1) Exploration and Development Expenditures***

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and the development of mineral properties.

The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and development until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's consolidated financial statements. On adoption of IFRS, the carrying value of the unproven properties will be reduced to zero (at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and development costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

## 2) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its consolidated financial statements.

## 3) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its consolidated financial statements.

## ***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010 interim periods and the year ended December 31, 2010, will include updates on the progress of the transition plan and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual consolidated financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include consolidated financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2010).

## **Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements related to fiscal years beginning on or after January 1, 2011.

## **FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### **Credit Risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held with the Bank of Nova Scotia, from which management believes the risk of loss to be minimal. Sundry receivables include the goods and services tax due from the Federal Government of Canada and are in good standing as at June 30, 2010. Management believes that the credit risk concentration with respect to sundry receivables is minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2010, the Company had cash of \$1,209,610 (June 30, 2009 - \$115,440) to settle current liabilities of

\$726,200 (June 30, 2009 - \$77,068). The Company regularly evaluates its cash position to monitor preservation and security of capital as well as maintenance of liquidity. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

## **Market risk**

### Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. In the normal course of business, the Company is not exposed to interest rate fluctuations as all of the cash is held in bank accounts.

### Foreign currency risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

### Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

## **Fair value**

The Company has, for accounting purposes, designated its cash as held-for-trading, which is measured at fair market value. Sundry receivable is classified for accounting purposes as loans and receivables, which is measured at amortized cost which equals fair market value due to their short term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair market value due to its short term nature. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

### **Fair Value Hierarchy**

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2010:

	Level One	Level Two	Level Three
Cash	\$ -	\$ 1,209,610	\$ -
Restricted cash	\$ -	\$ -	\$ -

### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS**

In accordance with Section 5.3 of NI 51-102, as the Company has not had any revenue from operations in either of the past two years, Sheltered has disclosed, in the Consolidated Statements of Mineral Properties in its unconsolidated financial statements as at June 30, 2010, the capitalized exploration expenditures incurred by property.

### **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements; and (ii) the audited consolidated financial statements present fairly in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under national Instrument 52-109 Certificate of Disclosure in Issuer's Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **RISK MANAGEMENT**

Due to the nature of the Company's business and present stage of exploration and development of the mineral properties, Sheltered may be subject to significant risks.

The Company does not have a history of business or mining operations, revenue generation or production history.

Sheltered has limited financial resources, no operations and no revenues. If the Company's drilling program on the Kerrs Property is successful, additional funds will be required for the purposes of further exploration and development on the Kerrs Property and for royalty payments to Sage. There can be no assurance that Sheltered will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders. The only interests the Company has in mineral properties is the Kerrs Property, which the Company acquired from Sage Gold, and the Goldcorp property under which the Company signed a letter of Intent on May 10, 2010.

Resource exploration, development and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish mineral resources and mineral reserves through drilling, to develop metallurgical processes to extract the metal from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes

of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations. The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Sheltered will be subject to a number of operational risks and may not be adequately insured for various risks. The Company's business is subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, worker health and safety which may involve radioactive or hazardous materials; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions; and encountering unusual or unexpected geological conditions. There is no assurance that the foregoing risks and hazards will not result in damage to the Kerrs Property, personal injury or death, environmental damage, costs, monetary losses, potential legal liability, adverse governmental action, any and all of which could have an adverse impact on Sheltered's results of operations and financial condition.

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has obtained a title to the Kerrs Property, Sheltered cannot give an assurance that title to such property will not be challenged or impugned. The Company can never be certain that the title to the Kerrs Property is valid or that any rights to explore and exploit the property will not be revoked, or significantly altered to its detriment, challenged or impugned by third parties. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that Sheltered does not have title to the Kerrs Property could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

Claims by First Nation groups in Canada may impact on the operator's ability to conduct activities on a property to the detriment of the Company's interests.

The success of Sheltered is currently largely dependent upon on the performance of its directors and officers. The loss of the services of these persons will have a material adverse effect on the Company's business and prospects. There is no assurance that Sheltered can maintain the service of its directors and officers or other qualified personnel required to operate the business. Failure to do so could have a material adverse affect on the Company and its prospects.

The management of Sheltered may lack all necessary technical training and experience to successfully develop and operate a mine. Without adequate training or experience in these areas, management may not be fully aware of many of the specific requirements related to working within the mining industry and their decisions and choices may not take into account all available and necessary engineering or managerial approaches that experienced mine operating companies commonly use to successfully develop a mine. Consequently, the Company's operations, earnings and ultimate financial success could suffer irreparable harm due to these factors.

Sheltered has all permits and licences necessary to carry on its current exploration activities on the Kerrs Property. A substantial number of additional permits and licenses may be required should the Company proceed beyond exploration; such licenses and permits may be difficult to obtain and may be subject to changes in regulations and in various operational circumstances. It is uncertain whether Sheltered will be able to obtain all such licenses and permits.

The economics of mineral exploration is affected by many factors beyond the Company's control including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation. Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the Kerrs Property.

The current or future operations of Sheltered require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which Sheltered might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and Sheltered may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of Sheltered's Shares. The Company does not maintain insurance against environmental risks.

Significant and increasing competition exists for mineral opportunities in Ontario or elsewhere. There are a number of large established mining companies and mineral exploration companies with substantial capabilities and greater financial and technical resources than Sheltered. The Company may be unable to maintain its interest in the Kerrs Property or to acquire additional attractive mineral properties on terms it considers acceptable. The mineral industry in general is an intensely competitive industry in which operators compete for the acquisition of mineral claims as well as the recruitment and retention of qualified employees.

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and the *Business Corporations Act* (Ontario), as applicable, and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

The market price for the Company's common stock may be volatile and is subject to significant fluctuations in response to a variety of factors, including the liquidity of the market for the common stock, variations in quarterly operating results, regulatory or other changes in the mineral industry generally, announcements of business developments by the Company or its competitors, litigation, changes in operating costs and variations in general market conditions. As the Company has a limited operating history, the market price for the common stock may be more volatile than that of a seasoned issuer. Changes in the market price of Sheltered's securities may have no connection with the Company's operating results. No predictions or projections can be made as to what the prevailing market price for the common shares will be at any time.

The Company plans to retain all available funds for use in the business, and therefore does not plan to pay any cash dividends with respect to the Company's securities in the foreseeable future. Hence, investors in Sheltered's common stock should not expect to receive any distribution of cash dividends with respect to such securities for the foreseeable future.

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the filings for Sheltered Oak Resources Corp.