

SHELTERED OAK RESOURCES CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
THREE MONTHS ENDED MARCH 31, 2011

INTRODUCTION

This management's 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 factors that affected the operating and financial performance of the Company for the three months ended March 31, 2011. 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 ended December 31, 2010 and December 31, 2009. The Company reports its results in Canadian dollars. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Sheltered is currently listed on the TSX Venture Exchange and as such, the following MD&A is prepared in accordance with requirements for venture issuers. Information contained herein is presented as of June 27, 2011, unless otherwise indicated.

On January 1, 2011, Sheltered adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated interim financial statements for the three months ended March 31, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, using accounting policies consistent with IFRS. Accordingly they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Adoption of IFRS" below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information of 2010 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

For purposes of preparing this MD&A, management in conjunction with the Board of Directors considers 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 or on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD - LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value by concentrating on the acquisition of properties prospective for precious metals; its ability to meet its operating costs for the twelve months ending March 31, 2012; the plans, costs, timing and capital for future exploration and development of the Company's current and future property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility for precious metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, price volatility for precious metals, changes in equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data, the possibility that future exploration results will not be consistent with the Company's expectations, increases in costs, environmental compliance and changes in environmental legislation and regulation, exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mining industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for the Company's exploration and development activities; operating and exploration and development costs; its ability to retain and attract skilled staff and consultants; timing of the receipt of regulatory and governmental approvals for

exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statement, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

OVERVIEW

Sheltered is a Canadian-based junior mineral exploration company primarily focused on the acquisition, exploration and development of mineral properties in Canada. As of the date of this MD&A, the Company holds a 100% interest in the Kerrs Gold Property ("Kerr's Gold") which consists of 26 mining claims, one mining lease, and one optioned claim totalling 4,176 hectares located east of Matheson in the prolific area of the Abitibi Greenstone Belt in northeastern Ontario, and an option to earn a 60% interest in an adjacent property; the Kerrs Goldcorp Property ("Kerr's Goldcorp"), concerning the mining rights of 46 leases covering 781 hectares.

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".

INTERESTS IN MINERAL PROPERTIES

Kerr's Gold Property

Sheltered, through its 100% owned subsidiary SOR, acquired a 100% interest in the Kerr's Gold Property consisting of 26 mining claims, one mining lease and one optioned claim located in the Matheson area of Ontario.

On April 26, 2011 Sheltered announced the release of a National Instruments 43-101- *Standards of Disclosure for Mineral Projects* ("NI 43-101") resource estimate for the Kerr's Gold Deposit. Highlights of the resource estimate are:

- The inferred resource defined to date comprises 7,041,460 tonnes at an average grade of 1.71 g/t Au and contains 386,467 troy oz. of gold. The resources were reported at a base case cut-off grade of 0.5 g/t Au.
- The Phase 5 drilling campaign has confirmed that the gold enrichment occurs in sheeted, pyritic quartz vein breccias zones conforming to a trough structure developed along the

fold axis over an 800 metre strike length and have lateral down-dip extensions up to 350 metres. Also, step-out drilling confirms that the Kerrs Gold Deposit trend extends 400 metres to the southwest and airborne geophysics indicates a further extension of 400 metres along the trough structure towards the adjacent property, (on which the Company has an option to earn a 60% interest in from Goldcorp Canada Ltd. and Goldcorp Inc. (the “Adjacent Property”). As well, there is a strike length of 1,500 metres of favourable volcanic stratigraphy indicated by historic drilling on the Adjacent Property.

- An 11,500 metre exploration drilling program is proposed for the Kerrs Property, including the Adjacent property, in the summer of 2011, using the funds from the Company’s recent financing, with three main objectives:
 - a) 8,300 metres of in-fill and extensional drilling on the Kerrs Gold Deposit.
 - b) 1,200 metres of reconnaissance drilling on parallel structure supported by mobile metal ion geochemical anomalies.
 - c) 2,000 metres of extensional drilling on the Kerrs Gold Deposit trend projected on the Adjacent Property.

The 43-101 resource estimate was completed by Kirkham Geosystems Ltd. (“KGL”) under the management of Garth Kirkham, P. Geo, who is an independent qualified person designated under NI 43-101. A copy of the complete resource estimate has been filed on Sedar.

Kerrs Goldcorp Property

On April 21, 2011 the Company announced that it and its wholly-owned subsidiary, Sheltered Oak Resources Inc. (“SOR”) had entered into an option agreement (“Option Agreement”) the Goldcorp Canada Ltd. (“Goldcorp”) and Goldcorp Inc. concerning the mining rights of certain leases located in Kerrs Township in the Larder Lake mining division (the “Property”). *See “Subsequent Events”.*

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.

OVERALL OBJECTIVE

The Company is a junior mineral exploration company with an experienced management team engaged in the acquisition, exploration and development of properties for the mining of precious metals. Sheltered is in the process of exploring its mineral properties and has not yet determined whether the properties contain any economically recoverable mineral reserves. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of its properties, the selling prices of minerals at the time, if ever, that the Company commences production from its properties,

government policies and regulations and future profitable production or proceeds from the disposition of such properties.

Sheltered has not discovered economically recoverable mineral reserves. While discovery of ore-bearing structures may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing mines.

The Company may also seek to acquire additional mineral resource properties or companies holding such properties. The Company notes that mineral exploration in general is uncertain and the probability of finding economically recoverable mineral reserves on any one of its early stage prospects is low. However, the probability that one of the many prospects acquired will host economically recoverable mineral reserves is higher. As a result, the Company believes it is able to reduce overall exploration risk by acquiring additional mineral properties. In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history of the properties, their location, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish economically recoverable mineral reserves, the fact that expenditures made by the Company may not result in discoveries of economically recoverable mineral reserves, environmental risks, risks associated with land title, the competition faced by the Company and the potential failure of the Company to generate adequate funding for any such acquisitions. *See "Risk Management"*.

FINANCINGS

On March 8, 2011, the Company completed a non-brokered private placement offering (the "Offering") for aggregate proceeds of \$1,651,000. The Company issued a total of 800,000 units of the Company (the "Units") at a price of \$0.095 per Unit raising a total of \$76,000 and a total of 14,999,999 flow-through units of the Company (the "FT Units") at a price of \$0.105 per FT Unit raising a total of \$1,575,000. Each Unit is comprised of one non-flow-through common share and one-half of one non-flow-through share purchase warrant (each whole warrant a "Warrant"). Each whole Warrant shall entitle its holder to acquire a common share at an exercise price of \$0.125 per Warrant for a period of 18 months from the date of closing. Each FT Unit is comprised of one flow-through common share (a "FT Unit Share") and one-half of one non-flow-through share purchase warrant (each whole warrant a "FT Warrant"). Each whole FT Warrant shall entitle its holder to acquire a common share at an exercise price of \$0.135 per FT Warrant for a period of 18 months from the date of closing.

In connection with the offering, the Company paid a cash finder's fee of \$123,350 and issued 1,380,952 broker warrants to the finders. Each broker warrant entitles the holder to acquire one unit on similar terms as each FT Unit described above. Each broker warrant will expire on September 8, 2012.

STOCK OPTIONS

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.

There were no issuances of stock options during the first quarter of fiscal 2011.

See “Subsequent Events”.

SELECTED QUARTERLY INFORMATION

For quarters ending after January 1, 2010, the quarterly results have been restated to reflect accounting policies consistent with IFRS. Quarterly results for quarters ended before January 1, 2010 have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

| | First Quarter Mar. 31, 2011 (1) | Fourth Quarter Dec. 31, 2010 (2) | Third Quarter Sept. 30, 2010 (3) | Second Quarter June 30, 2010 (4) |
|-----------------------------|---|--|--|--|
| | \$ | \$ | \$ | \$ |
| Accounting Policies | IFRS | IFRS | IFRS | IFRS |
| Net Revenues | - | - | - | - |
| Net Income (Loss) | (241,825) | (194,829) | (1,128,820) | (177,022) |
| Net Income (Loss) per share | - | - | (0.02) | - |

| | First Quarter Mar. 31, 2010 (5) | Fourth Quarter Dec. 31, 2009 (6) | Third Quarter Sept. 30, 2009 (7) | Second Quarter June 30, 2009 (8) |
|-----------------------------|---|--|--|--|
| | \$ | \$ | \$ | \$ |
| Accounting Policies | IFRS | Canadian GAAP | Canadian GAAP | Canadian GAAP |
| Net Revenues | - | - | - | - |
| Net Income (Loss) | (211,615) | (226,179) | (259,166) | (393,038) |
| Net Income (Loss) per share | - | (0.01) | (0.01) | (0.01) |

(1) Net loss of \$ 241,825 relates primarily to exploration and evaluation expenditures of \$87,315, professional fees of \$46,245, consulting fees of \$30,000, investor relations fees of \$23,000, financing costs of \$22,414, and listing and filing fees of \$21,375. All other expenses related to general working capital purposes.

- (2) Net loss of \$ 194,829 relates primarily to exploration and evaluation expenditures of \$214,162, travel and entertainment of \$25,000, investor relations fees of \$22,404, and accounting and corporate services of \$12,716, offset by a future income tax recovery of \$102,356. All other expenses related to general working capital purposes.
- (3) Net loss of \$ 1,128,820 relates primarily to exploration and evaluation expenditures of \$1,078,781 and professional fees of \$48,877. All other expenses related to general working capital purposes.
- (4) Net loss of \$177,022 relates primarily to exploration and evaluation expenditures of \$73,318, consulting fees of \$37,500, investor relations fees of \$18,125, professional fees of \$16,310 and shareholder information costs of \$11,044. All other expenses related to general working capital purposes.
- (5) Net loss of \$211,615 relates primarily to exploration and evaluation expenditures of \$41,418, professional fees of \$70,238, consulting fees of \$37,500, and investor relations fees of \$20,718. All other expenses related to general working capital purposes.
- (6) Net loss of \$226,179 relates primarily to stock-based compensation of \$184,844, professional fees of \$93,986, and consulting fees of \$37,500, offset in part by a future income tax recovery of \$147,140. All other expenses related to general working capital purposes.
- (7) Net loss of \$259,166 relates primarily to professional fees of \$143,540, consulting fees of \$37,500, stock-based compensation of \$31,570, and investor relations fees of \$20,761. All other expenses related to general working capital purposes.
- (8) Net loss of \$393,038 relates primarily to write-off of exploration property costs of \$180,990, professional fees of \$77,156, consulting fees of \$37,500, stock-based compensation of \$29,287, shareholder information costs of \$22,525, and investor relations fees of \$21,549. All other expenses related to general working capital purposes.

RESULTS OF OPERATIONS

The Company has chosen to expense its exploration and evaluation expenditures as incurred instead of capitalizing these costs to the consolidated statement of financial position. The Company has chosen this policy as management has not yet determined that there is a future benefit for its exploration properties at this point in time.

Three months ended March 31, 2011, compared with three months ended March 31, 2010

The Company's net loss totalled \$241,825 for the three months ended March 31, 2011, with a loss per share of \$nil. This compares with a net loss of \$211,615 with a loss per share of \$nil for the three months ended March 31, 2010. The decrease of \$30,210 in net loss was principally due to:

- Exploration and evaluation expenditures in the first quarter of fiscal 2011 were \$87,315 as compared to \$41,418 in the first quarter of fiscal 2010; an increase of \$45,897 primarily related to costs incurred in compiling the recently released NI43-101 report on the Kerrs Gold property.
- Professional fees for the three months ended March 31, 2011 were \$46,245 (three months ended March 31, 2010 - \$70,238); a decrease of \$23,993 compared to the same period in 2010. This decrease is primarily attributable to a decline of \$9,024 in legal expenses relating to general matters, a decrease of \$9,000 relating to third party consulting expenses, and a reclassification to consulting fees in the current year of the fees paid to Richbert Agencies regarding the services of Mr. J.J. Elkin (2011 - \$30,000; 2010 - \$25,000); partially offset by an increase in the fees charged by the Chief Financial Officer by \$6,000.
- Consulting fees for the three months ended March 31, 2011 were \$30,000 (three months ended March 31, 2010 - \$37,500); a decrease of \$7,500 compared to the same period in 2009. This decrease is attributable to the reclassification of fees pertaining to RKH Limited, a company controlled by Robert Hanson, the Company's former CEO, and the reclassification in the current year of the fees charged by Richbert Agencies regarding the services of Mr. J.J. Elkin (\$30,000).
- Financing costs for the three month period ending March 31, 2011 were \$22,414 (three months ended March 31, 2010 - \$nil), representing the allocation of the portion of the finder's fee to the statement of loss in accordance with IFRS.
- Listing and filing fees for the first quarter of 2011 were \$21,375 as compared to \$8,358 in the first quarter of the prior fiscal year; a decline of \$13,017. The increase was primarily related to the fees assessed by the Toronto Venture Stock Exchange on the share capital issuances of \$1,651,000 in March 2011.
- All other expenses related to general working capital.

LIQUIDITY AND CAPITAL RESOURCES

The activities of the Company, principally the acquisition and exploration of properties prospective for precious metals, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk factors" below.

The Company has no current sources of revenue and relies on the issuance of common shares and the exercising of stock options and warrants to generate funds required to advance its property exploration and fund its administrative overhead. As at March 31, 2011, the Company had cash and cash equivalents of \$1,797,755 (December 31, 2010 - \$399,583) and a working capital of \$1,406,114 (December 31, 2010 - \$413,374). The working capital as at March 31,

2011 is not sufficient to support the Company's operating expenses and projected exploration budget for 2011, thereby requiring the Company to source additional financing in the current year.

Cash used in operating activities was \$136,393 for the three months ended March 31, 2011. Operating activities were affected by a net change in non-cash working capital balances of \$108,459, due to an increase in accounts payable and accrued liabilities and a decrease in prepaid and sundry receivables over the prior year.

Cash provided by financing activities was \$1,534,565 for the three months ended March 31, 2011, relating to the net cash proceeds on the issuance of common shares of \$1,512,295 and proceeds on the exercise of warrants of \$22,270

The Company's liquidity risk from financial instruments is minimal as excess cash is invested in investment grade short-term deposit certificates. As at March 31, 2011 excess cash of \$1,650,000 was invested in GICs.

The Company relies on external financings to generate capital. The Company continues to generate net losses. As at March 31, 2011, the Company had 94,549,234 Common Shares issued and outstanding, 40,044,919 warrants outstanding which would raise \$5,157,994 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 March 31, 2011 relate to prepaid investor relations fees of \$67,500, the harmonized services tax receivable from the federal government of \$46,013 and the unamortized portion of the Company's Directors and Officers insurance policy of \$1,179. 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 2011; therefore it will rely on its ability to obtain equity financing for growth. The Company raised \$2,443,429 (net of costs) in equity financing in fiscal 2010. 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.

See "Risk Management".

OUTSTANDING SHARE CAPITAL

As at June 27, 2011 the Company has 94,549,234 common shares outstanding, 9,149,250 stock options and 40,044,919 warrants.

As at June 27, 2011, 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 |
| 2,705,000 | \$0.11 | May 26, 2016 |
| 1,750,000 | \$0.13 | May 30, 2016 |

As at June 27, 2011, the following warrants were outstanding, each exercisable to acquire one Common Share:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|--------------------|
| 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 |
| 3,391,667 | \$0.12 | March 31, 2012 |
| 361,000 | \$0.09 | March 31, 2012 |
| 2,900,000 | \$0.135 | June 21, 2012 |
| 1,050,000 | \$0.12 | June 29, 2012 |

| | | |
|-----------|---------|-------------------|
| 1,380,952 | \$0.105 | September 8, 2012 |
| 7,500,000 | \$0.135 | September 8, 2012 |
| 400,000 | \$0.125 | September 8, 2012 |

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 March 31, 2011, the Company is committed to incurring approximately \$197,214 in qualifying exploration expenditures in Canada by December 31, 2011 and a further \$1,575,000 by December 31, 2012.

TRANSACTIONS WITH RELATED PARTIES

During the three months ended March 31, 2011 the Company expensed consulting and professional fees of \$7,500 (March 31, 2010 - \$52,080) 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 expensed professional fees in the amount of \$30,000 during the three month period ending March 31, 2011 (March 31, 2010 - \$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 is President and Chief Executive Officer of the Company and a Director of Sheltered.

The Company expensed professional fees in the amount of \$18,000 during the three months ended March 31, 2011 (March 31, 2010 - \$12,000) 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 three months ended March 31, 2011 the Company incurred geological consulting fees of \$62,565 (March 31, 2010 - \$17,825) 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 fair value of consideration established and agreed to by the parties.

CRITICAL ACCOUNTING ESTIMATES

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual amounts differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of mineral property interests including an assessment of triggering events at each reporting period;
- all inputs used in the Black-Scholes model for determining the fair value of share based payment transactions in the statement of loss and comprehensive loss;
- the assumptions used in determining the amount of deferred income taxes and deferred income tax assets and liabilities including future income tax rate and recoverability;
- management's assumption of no material restoration, rehabilitation and environmental position, based on the facts and circumstances that existed during the period.
- management's position that there are no income tax considerations required within these unaudited condensed consolidated interim financial statements, with exception to those discussed in Note 18; and
- categorization of financial assets and liabilities is an accounting policy that requires management to make judgments or assessments.

ADOPTION OF IFRS

Impact of Adopting IFRS on the Company's Accounting Policies

Effective the first quarter of 2011, the Company prepares its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 18 "Conversion to IFRS" of the unaudited condensed interim consolidated financial statements. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian GAAP to those reported for those periods under IFRS.

The Company has changed certain accounting policies to be consistent with IFRS as expected to be effective on December 31, 2011; the Company's first annual IFRS reporting date. The changes to the Company's accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within the financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

(a) Impairment of non-financial assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair

value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was no impact on the unaudited condensed consolidated interim financial statements.

(b) Exploration and evaluation expenditures

On transition to IFRS, the Company elected to expense exploration and evaluation expenditures as incurred. Previously, the Company's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred. The Company will continue to capitalize all acquisition costs as incurred, whether in cash or by the issuance of shares.

Once a project has been established as commercially viable and technically feasible, related development expenditures will be capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization will cease once the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(c) Flow-through shares

On transition to IFRS, the Company elected to adopt a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of deferred income tax liability upon renunciation of the flow-through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of loss and comprehensive loss.

Previously, under Canadian GAAP, the Company reduced the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers. This future income tax liability was calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting values available for deduction.

Auditor involvement

The Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2011 and March 31, 2010, have not been reviewed by the Company's auditors in accordance with securities legislation and Section 7500, auditor review of interim financial statements of the Canadian Institute of Chartered Accountants Handbook.

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 Business

The adoption of IFRS has resulted in several changes to the Company’s accounting system and business processes; however the impact has been minimal. Sheltered has not identified any contractual arrangements that are significantly impacted by IFRS.

The Company’s staff and advisors involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Company’s IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain accounting pronouncements were issued by the International Accounting Standards Board (“IASB”) or the IFRIC that are mandatory for accounting periods after December 31, 2010. Many are not applicable to, or do not have a significant impact on, the Company and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

- (a) IFRS 9 Financial Instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial statements in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

- (b) IFRS 10 Consolidated Financial Statements (“IFRS 10”) establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.
- (c) IFRS 11 Joint Arrangements (IFRS 11”) requires a venture to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.
- (d) IFRS 12 Disclosure of Interests in Other Entities (IFRS 12”) establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.
- (e) IFRS 13 Fair Value Measurement (“IFRS 13”) is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

MANAGEMENT OF CAPITAL

The Company’s objective in managing its capital is to ensure that the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits to other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of share capital, reserves and deficit, which at March 31, 2011 totalled \$2,770,315 (December 31, 2010 - \$1,777,575).

The Company manages its capital structure in a manner that provides sufficient funding for development, exploration and development of mineral properties and operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended March 31, 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 counterparty'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 a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal. Sundry receivables consist of sales tax receivable from government authorities in Canada and are in good standing as at March 31, 2011. 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 March 31, 2011, the Company had cash and cash equivalents of \$1,797,755 (December 31, 2010 - \$399,583 and January 1, 2010 - \$334,978) to settle current liabilities of \$506,333 (December 31, 2010 - \$170,171 and January 1, 2010 - \$714,456). 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

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian bank.

Foreign currency risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Commodity and equity 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.

Financial Instruments

The Company has, for accounting purposes, designated its cash and cash equivalents totalling \$1,797,755 as at March 31, 2011 (\$399,593 as at December 31, 2010 and \$334,978 as at January 1, 2010) as Loans and Receivables within its Financial Assets.

Accounts payable and accrued liabilities as at March 31, 2011 of \$200,513 (\$161,324 as at December 31, 2010 and \$713,767 as at January 1, 2010) have been designated as Other Financial Liabilities within its Financial Liabilities. As at March 31, 2011, December 31, 2010 and January 1, 2010, the fair value of all of the Company's financial instruments approximates the carrying value, due to their short-term nature.

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 IFRS.

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.

SUBSEQUENT EVENTS

- a) On April 21, 2011 the Company's wholly-owned subsidiary, Sheltered Oak Resources Inc. ("SOR") entered into an option agreement ("Option Agreement") with Goldcorp Canada Ltd. ("Goldcorp") and Goldcorp Inc. concerning the rights of certain leases in Kerrs Township in the Larder Lake mining division (the "Property").

The property is held by the Porcupine Joint Venture ("PJV") between Goldcorp and Goldcorp Inc. The Option Agreement provides SOR with 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. Whether or not SOR exercises the option, the Option Agreement provides that SOR is committed to spending \$1.1 million in exploration expenditures, completing 5,000 metres of core diamond drilling, making option payments of \$100,000, and issuing \$300,000 worth of common shares of Sheltered prior to December 31, 2012.

Once a 60% interest is earned in accordance with the terms of the Option Agreement, SOR, Sheltered and PJV will enter into a definitive joint venture agreement. SOR will be the operator of the Property during the option term and remain the operator unless and until the PJV acquired a majority interest in the joint venture.

Upon SOR earning a 60% interest, Goldcorp may elect to earn back from SOR a 20% 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 SOR would own a 40% interest.

Upon SOR earning a 60% interest and if Goldcorp does not exercise its earn-back right, following the expenditure of \$5 million on joint venture operations on the Property, Goldcorp would have the right to exercise the right to acquire from SOR a 20% interest in the Property by paying SOR 125% of the aggregate of the total minimum qualifying expenditures incurred by SOR during the option period plus 100% of SOR's pro-rata contribution to the joint venture expenditures.

On execution of the Option Agreement, SOR paid \$25,000 to Goldcorp, as manager of the PJV, and Sheltered issued 255,000 common shares to Goldcorp and 245,000 common shares to Goldcorp Inc. The common shares are subject to a hold period expiring August 22, 2011.

- b) On May 26, 2011 the Company granted stock options to directors and officers of OAK to purchase in the aggregate up to 2,705,000 common shares ("Common Shares") in the capital of OAK at an exercise price of \$0.11 per Common Share. The stock options will expire on May 26, 2016. The options were granted pursuant to OAK's incentive stock option plan, under which a maximum of 10% of the issued and outstanding Common Shares are reserved for issuance. The vesting period is 1/3 immediately, 1/3 after 6 months and 1/3 after 12 months.

On May 30, 2011 the Company also granted stock options to J.J. Elkin to purchase in the aggregate up to 1,750,000 Common Shares in the capital of OAK at an exercise price of \$0.13 per Common Share as part remuneration for his continued services as President and Chief Executive Officer through Richbert Agencies S.A. The vesting period is 1/3 immediately, 1/3 after 6 months and 1/3 after 12 months.

RISK MANAGEMENT

Due to the nature of the Company's business and present stage of exploration and development of the Sage 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 additional cash 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.

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 effect 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 under the filings for Sheltered Oak Resources Corp.