TEARLACH RESOURCES LIMITED.
MANAGEMENT'S DISCUSSION and ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
FEBRUARY 3, 2014

Description of Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Tearlach Resources Limited (the "Company") for the year ended September 30, 2014 and 2013 ("Financial Statements"). The following discussion is dated and current as of February 3, 2015. This MD&A contains forward-looking information and statements which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

Description of Business

The Company is currently engaged in the business of the acquisition, exploration and development of mineral and oil and gas properties, none of which are in commercial production. None of the Company's exploration and evaluation assets have any reserves of ore identified thereon and all of the Company's activities to date have been exploratory in nature only.

Discussion of Operations

During the year ended September 30, 2014 and 2013 the Company was primarily engaged in resolving title and legal issues related to its oil and gas properties.

The key determinants of the Company's operating results are:

(a) the state of capital markets, which affects the ability of the Company to finance its exploration activities;
(b) the write-down and abandonment of mineral and oil & gas properties as exploration results provide further information relating to the underlying value of such properties; and
(c) market prices for nickel, copper, platinum, palladium, and other precious metals and minerals.
(d) market prices for oil and gas.

On February 4, 2011 the Company obtained a judgement in the amount of $18,724,902 against Western States International (WSI), Gas and Oil Technologies and Ingrid Aliet-Gass. On December 11, 2013 the Supreme Court of California denied WSI's request for a judicial review bringing this case to a conclusion in favour of Tearlach. The Company has commenced proceedings to realize on the judgement. On November 21, 2013 the Company obtained, from the Kern County Superior Court, a Writ of Execution against WSI in the amount of $23,747,423.18. On August 27, 2014 Tearlach filed a notice of judgement lien in the amount of $25,260,661.72. During the year ended September 30, 2014 the Company recovered $37,551 pursuant to the judgement.

On October 11, 2012 the Company completed a shares-for-debt transaction by issuing 2,166,500 units at a price of $0.05 per unit to settle debt of $108,325. The $238,315 fair value of the units was determined using the closing price of $0.11 on the date of issuance. Accordingly a loss on debt settlement of $129,990 was recorded. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase one share at a price of $0.10 for a period expiring five years from the date of issuance. The full fair value was assigned to the common shares under the residual method.

The Company is seeking joint venture partners to assist in the financing of continued exploration and development of its properties and may also consider an outright sale of its properties provided such can be completed on terms and conditions acceptable to the Company. The Company is endeavouring to acquire revenue projects that will provide cash flow. At such time as the Company acquires a revenue project it may seek a combination of debt and equity financing to fund operating requirements.

The Company does not have any properties in production and, therefore, did not generate any revenue from operations during the year. The Company has no earnings and therefore has historically financed its acquisition and exploration activities by the sale of common shares. Due to the Company's net loss, the continuation of the Company is dependent upon its ability to attain profitable operations and to generate cash flow and/or to raise equity capital through the sale of its securities, or secure additional exploration funding through option or joint venture agreements on its exploration and evaluation assets, or through the sale of capital assets or exploration and evaluation assets. In order to obtain financing sufficient to continue operations, the Company will continue to seek private placement funding, and joint venture partners and/or exploration funding for its properties. During the fiscal years 2014 and 2013 the Company decreased its exploration and corporate activities in response to the limited capital that was available.

Market Trends

Market prices for nickel and palladium increased during 2014, while prices for platinum remained stable. Management expects nickel and platinum pricing to recover over the next three to five years, as a result of continued production shortfalls in these commodities against rising market consumption, particularly from China and India.

The Midway Sunset price for Bakersfield heavy crude oil was US$45.31/bbl as of February 2, 2015, a 50% decrease since September 2014. Heavy oil will always receive a lower price than light oil due to increased refining costs to process each barrel. Bakersfield heavy crude oil (API 14°) is sold on a local spot basis at a discount of approximately $13/bbl to quoted light oil prices. Management expects crude oil prices to remain low throughout 2015 due to OPEC's decision not to reduce production.

Exploration and evaluation assets

Foy Hess Property

In October 2005 the Company completed the acquisition of 100% ownership of 23 mineral claims on the Foy and Hess Offset Dykes on the North Range of the Sudbury Basin region of Ontario. To date the Company has relinquished 20 claims bringing total claims to 3. The retained claims remain subject to a 2% NSR and annual advance royalty payments.

The Company incurred exploration costs totalling $677 in the year ended September 30, 2013; and $19,010 in the year ended September 30, 2013.

The Foy Hess property is comprised of 3 mineral claims covering of inclusion-bearing quartz diorite offset dykes on the North Range of the Sudbury Basin. Field programs of line cutting, ground magnetometer surveys, airborne geophysical programs and geological field work, conducted over the period 2003-2007, have identified three elongated zones of disseminated nickel/copper /PGM sulphide mineralization within the plane of the dykes. Surface stripping and washing of the Banana Lake (Hess Dyke) and Sandcherry (Foy Dyke) anomalies have exposed the sulphide zones as 20-60 meters wide and up to 600 meters long. Grab samples of disseminated bleby sulfides in the sulphide zones carried values of 0.1-0.3 % nickel and 0.1% - 0.3% copper with up to 0.5 parts per million of combined platinum, palladium and gold.

In October, 2008, a program of stripping and power washing was carried out on the third anomaly, which lies about 2,000 meters north of Schkowona Lake (Schkowona anomaly) on the north-eastern extension of the Foy dyke. Visual results indicate strong showings of disseminated sulphides carrying chalcopyrite. A number of channel samples were cut and analyzed. In September and July 2009 the area of the Schkowona North prospect, previously stripped and assayed in October 2008 was enlarged by stripping to the north and southwest, and 15 additional samples were taken. Selected results for nickel, copper, platinum and palladium are reported in the table below.

Sample	NI	Cu	Pt	Pd	Ni/Cu	Pt/Pd	Ni/Pt	Cu/Pt
	ppm	ppm	ppm	ppm			Metal Ratios	
619751	1290	2110	0.209	0.296	0.61	0.71	6,172.25	10,095.69
619753	690	1060	0.094	0.143	0.65	0.66	7,340.43	11,276.60
619754	1450	1600	0.176	0.2	0.91	0.88	8,238.64	9,090.91
619757	2900	1520	0.372	0.555	1.91	0.67	7,795.70	4,086.02
619761	1300	1780	0.161	0.224	0.73	0.72	8,074.53	11,055.90

These results, lying within the plane of the offset dyke, are characteristic of the blebby sulphides found in "trace" path of sulphide movements within the offset dyke system and are very similar in grade to sulphide occurrences found at the Company's Banana Lake and Sandcherry Creek showings, previously reported, bringing to three the number of similar anomalies so identified.

In August 2009 the Company performed preliminary prospecting work north and north east of the area previously trenched and sampled. Ten samples were taken and sent for assay, results of which indicated that while in-dyke sulphide mineralization occurred, the strong mineralization found in the southern claims continued northward but with lower grades. These results are consistent with the continuing existence of pathway traces of sulphide mineralization upwards along the plane of the dyke structure.

In the summer of 2010 systematic Beep Mat surveying and channel sampling was performed on an area on the north shore of Banana Lake and west towards Mooihoek Pond, Tyrone County, Sudbury Division.

Nineteen channel samples were taken. Selected results for nickel, copper, platinum and palladium are reported in the table below.

Sample	NI	Cu	Pt	Pd	Ni/Cu	Pt/Pd	Ni/Pt	Cu/Pt
	ppm	ppm	ppm	ppm				
5012305	660	730	0.068	0.075	0.90	0.91	9,705.88	10,735.29
5012329	790	970	0.101	0.115	0.81	0.88	7,821.78	9,603.96
5012330	850	910	0.080	0.101	0.93	0.79	10,625.00	11,375.00
5012331	1710	1940	0.172	0.218	0.88	0.79	9,941.86	11,279.07
5012334	1090	1240	0.104	0.131	0.88	0.79	10,480.77	11,923.08

In October 2010 systematic Beep Mat surveying and channel sampling was also performed on an area southeast of Sandcherry Lake.

All three anomalies are believed to represent traces of the mineralizing path of the upward injection of massive sulphides within the inclusion-bearing quartz diorite dyke rock during the later cooling / consolidation phases of the Sudbury meteorite impact crater. Given the nearly vertical attitude of the offset dykes and the discontinuous lensoid shapes of economic occurrences of massive sulphides found elsewhere in offset dykes and concentric dykes of the Sudbury Basin (Frood-Stobie, Copper Cliff North, Copper Cliff South, Worthington, McLennan and Foy), it is thought that the Foy and Hess dyke anomalies may represent path traces of one or more of these lenses at depth. FNX/Dynatec have identified several mineralized lenses of massive sulphide at depths of approximately 800 meters in the Foy Dyke several kilometres south of intersection of the Foy and Hess Offset dykes. INCO drilled an approximate 200,000-ton occurrence of massive sulphides in the Hess concentric dyke several kilometres west of the site of the company's Banana Lake anomaly.

During the year ended September 30, 2011 the Company engaged Abitibi Geophysics to complete a ground electromagnetic study on its Sandcherry Lake prospect. In December 2011 the Company engaged Cecil Johnson to complete line cutting on the Schkowona North in preparation for a ground electromagnetic study.

During the year ended September 30, 2013 the Company engaged Cecil Johnson to complete a Beep Mat survey and channel sampling on the Company's East Banana Lake prospect. One significant anomalous conductor with a high frequency reading of 700 was reported by the operator in the field during the undertaking of this survey. This site was located at the north end of Line 14W and co-incident with an east-west trend believed to be correlative with the Hess offset. The source of this conductor was not found. Several anomalous Beep Mat magnetic anomalies were also found on the grid. Some of these correlate with this ground magnetometer survey and would suggest a near surface anomaly.

During the year ended September 30, 23014 the Company deferred exploration work on the Foy Hess property.

The Foy Hess property is, to date, without a known body of economic mineralization and work on the property continues to be of an exploration nature only.

Future Work Programs
The Company outlined the following work programs for the 2015 year:

1. Manual stripping and outcrop washing to be undertaken at the Company's East Banana Lake prospect at selected sites of quartz diorite outcrop and at the site of the anomalous conductor, followed up by detailed field mapping and sampling. Power stripping could then be undertaken where warranted.
2. Development of survey plan for a UTEM 5 survey

The Company estimates the budget for this work program will be $20,000. If additional funds become available then the Company will also proceed with the following;

3. Commence a ground electromagnetic study to further refine drill targets identified on the Company's Schkowona North prospect

4. Preliminary surveying and line cutting on claims staked in September 2009.

Discussion of Financial Condition

Project Financing

The Foy Hess mining claims are in good standing with the Ontario Ministry of Northern Development and Mines through 2015.

The Company is also currently seeking a suitable joint venture partner with drilling expertise and adequate available funds and knowledge of operating in the Sudbury environment.

Acquisition and Exploration Expenditures

The Company's assets categorized in the financial statements as "Exploration and evaluation assets" were $52,000 at September 30, 2014 and $582,800 at September 30, 2013.

The Company incurred exploration costs of $677 (2013 - $19,010) and paid advance royalties of $12,000 (2013 - $10,000) in the year ended September 30, 2014 with respect to the Foy Hess Property. The claims remain subject to a 2% NSR and annual advance royalty payments of $10,000 per year.

The Company settled the annual advance royalty payment by 120,000 shares, having a fair value of $12,000, in lieu of cash. The shares were delivered by the wife of a director on behalf of the Company and the Company settled the liability for $12,000 cash.

The Company does not have any exploration and evaluation assets in production and, therefore, did not generate any revenue from exploration and evaluation assets during the years ended September 30, 2014 and 2013.

The Company estimated the realizable value of the Foy Hess Property to be $52,000 at September 30, 2014. Accordingly the Company recorded a loss on impairment of $531,477.

As of September 30, 2014 the following costs were incurred for the acquisition and exploration of the Foy Hess property:

	Acquisition	Deferred Exploration Costs	Advance Royalties	Impairment	Total
Balance at September 30, 2012	$ 395,625	$ 591,693	$ 60,000	$ (505,528)	$ 541,790
Additions	-	19,010	10,000	-	29,010
Balance at September 30, 2013	395,625	610,703	70,000	(505,528)	570,800
Additions	-	677	12,000	(531,477)	(518,800)
Balance at September 30, 2014	$ 395,625	$ 611,380	$ 82,000	$ (1,037,005)	$ 52,000

Kern Front Field

Acquisition

On December 12, 2006 the Company purchased a 60% working interest in the Kern Front Field property.

History

The Kern Front Field was discovered in 1912 and commercial production started in 1915. The oil was discovered in the Etchegoin-Chanac formations. The oil is 12-14 degree gravity API ("heavy oil") with a sulphur content of 0.9%. The initial oil content was between 1,300 and 1,700 barrels per acre-foot. The peak production of the field was 4,535,059 barrels in 1929. Cyclic steam enhanced recovery was initiated in 1964 and steam-flood operations in 1978.

Because of low oil prices in early 1980, wells on the Company's property were shut-in at the end of January of that year. The cumulative production was 11.2 million barrels of oil and 191.6 million barrels of water within the Period from 1973 to January 1980. No substantial production has been taken from the property since that time.

The subject leases are located in the north portion of the Kern Front Field and are on the east side of the San Joaquin Valley, approximately six miles north of Bakersfield, California. The previous operators were geared towards increasing oil production rather than optimizing oil recovery and much of the prime oil sands may have experienced poor oil recoveries.

Producing Formations

Based on historic production records, the bulk of the oil in the North Kern Front is located in the Upper Chanac sands which appear to be productive over most of the field. Most of the historic production has come from the northern areas of the field in the areas of greatest net pay. The average thickness of the sands varies from 400 to 700 feet and the oil gravity also varies from 12 to 14 degrees.

The North Kern Front was not effectively steamed after the early 1980s due to low oil prices and changes in ownership of the lease. Ineffective steaming is also evident in the low oil recovery per foot of net oil sand in much of the Judkins and Witmer B West regions. The Company's properties are bordered by Chevron and Occidental Oil; both of those companies are actively recovering oil from the same pay zones on their leases.

In late May 2006, the operator received the environmental permit to dispose of the produced water and recommence production using primary production techniques in December 2006.

Legal Actions and Contingencies

During the year ended September 30, 2007 the operator of the Kern Front Field property in California conducted test programs on eight previously drilled wells using non-thermal recovery methods. As a result of the uneconomic operation of the test program, the Company reclassified previously recognized reserves on the property from "Proven and Probable" to unproven as of September 30, 2007, in accordance with NI 51-101 requirements.

The asset retirement obligation was estimated by management based on the Company's working interest in its wells, estimated costs to remediate, reclaim and abandon the wells and estimated timing of the costs to be incurred. The Company estimated the total asset retirement obligation to be $560,176 (US$485,966) at September 30, 2014 (2013: $514,044 (US$485,966)). The Kern Front Field had no proven or probable reserves as of September 30, 2014 or September 30, 2012; accordingly management classified the entire undiscounted liability as current at September 30, 2013 and September 30, 2012.

Tearlach vs WSI
On December 11, 2008 the Company commenced legal proceedings in the Supreme Court of British Columbia against WSI and G&O of Monrovia, California (the "Defendants"), alleging numerous breaches in a contract between the Company and the Defendants which contract was entered into April 21, 2006. The Company has obtained a default judgement in the amount of $18,043,692 against WSI and G&O.

Claim for expenses
On February 1, 2011 the Company obtained a judgement in the amount of $18,724,901.58 against WSI. In December 2013 WSI's request for judicial review was denied, bringing this case to a conclusion in favour of Tearlach. The Company has commenced proceedings to realize on the judgement. On November 21, 2013 the Company obtained, from the Kern County Superior Court, a Writ of Execution against WSI in the amount of $23,747,423.18. On August 27, 2014 Tearlach filed a notice of judgement lien in the amount of $25,260,661.72. During the year ended September 30, 2014 the Company recovered $37,551 pursuant to the judgment.

Impairment
At September 30, 2014 and 2013 the Kern Front Field Property had no proven reserves.

In consequence of the uneconomic results of the test program and uncertainties related to the Judkins and California legal actions, the Company estimated the net realizable value of the Kern Front Field property to be $650,000 at September 30, 2007. Accordingly the Company recorded an impairment of $5,983,145 in relation to the property in the year ended September 30, 2007. The Company estimated the net realizable value of the Kern Front Field property to be $400,000 at September 30, 2011 and recorded an impairment of $306,030.. The Company determined that no further impairment was required at September 30, 2014 or 2013. Refer to Note 11.

During the year ended September 30, 2014 the Company incurred lease maintenance costs of $7,500 (2013 - $83,388) and cost recoveries of $37,550 with respect to the Kern Front Field Property. The Company posted a reclamation bond in the amount of $112,080.

The Company's asset retirement liability was estimated by management based on the Company's working interest in its wells, estimated costs to remediate, reclaim and abandon the wells and estimated timing of the costs to be incurred. The Company recorded an additional provision of $75,161 during the year ended September 30, 2013.The Company estimated the total provision to be $560,176 (US$485,966) at September 30, 2014 (2013: $514,044 (US$485,966)).

Proposed Future Testing and Development

In the year ended September 30, 2008 the Company completed a reservoir study of the Mitchell, Witmer A, Witmer B West and Sentinel A leases. The study identified two pilot areas to implement an enhanced oil recovery (EOR) pilot project. Thermal recovery by either steam injection or steam flood is being used by other producers in the immediate surrounding area.

In the event that the EOR program demonstrates successful economic recovery of oil, it is probable, but not certain, in accordance with the current NI 51-101 regulations, that the Kern Front Field oil deposits may be reclassified to Proven plus Probable reserves. There exists a further possibility that the amount of recoverable oil may change, either of which events may have significant impact on the value of the Company's assets.

The Kern Front property is not currently using the proposed thermal recovery method. Application of such method, while thought to be reasonable, may produce actual results which vary from those anticipated.

The Company is reviewing the recommendations of the reservoir study in light of current economic conditions and other factors to determine future action.

Selected Annual Information

Year ended	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration & Development Expenditures	General & Admin. Expenditures	Total Assets
	$	$	$	$	$	$
September 30, 2014	-	(1,030,913)	(0.04)	8,177	550,058	627,572
September 30, 2013	-	(631,535)	(0.03)	27,236	509,299	1,066,547
September 30, 2012	-	(507,028)	(0.14)	33,065	576,616	1,091,974

Results of Operations

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. During the year ended September 30 2014 and 2013 the Company was principally involved in exploration of the Foy Hess mineral property and the development of the Kern Front oil and gas property.

The Company realized net losses of $1,030,913 in the year ended September, 2014 or $0.04 per share (2013 - $631,535 and $0.03 per share).

The Company incurred management fees of $60,000 in to a company controlled by a Charles Ross, the CFO of the Company (2013 - $60,000). Professional fees were $152,205 (2013 - $132,100) were comprised primarily of the costs of litigation and efforts to realize on the judgement in connection with the Kern Front field. Transfer agent and filing fees in the periods were $11,646 (2013 - $16,020). Office and general expenses were $19,415 (2013 - $22,508). Interest expense was $253,417 in the year (2013 - $233,084).

Due to the Company's net loss, the continuation of the Company is dependent upon its ability to attain profitable operations and generate cash flow there from and/or to raise equity capital through the sale of its securities, or secure additional exploration funding through option or joint venture agreements on its exploration and evaluation assets, or through the sale of capital assets or exploration and evaluation assets. In order to obtain financing sufficient to continue operations, the Company will continue to seek private placement funding, and joint venture partners and/or exploration funding for its properties.

A summary of the Company's financial information on a quarter by quarter basis for the preceding eight quarters appears below.

Summary Quarterly Results for the Eight Fiscal Quarters Ended September 30, 2014

Period	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration Expenditures	General & Admin. Expenditures
					$
4th Quarter 2014	$ -	$ (767,518)	$ (0.03)	$ 2,477	204,266
3rd Quarter 2014	-	(58,378)	(0.00)	1,786	151,147
2nd Quarter 2014	-	(136,261)	(0.01)	2,266	75,267
1st Quarter 2014	-	(68,756)	(0.00)	1,648	119,378
4th Quarter 2013	-	(233,959)	(0.01)	17,894	210,066
3rd Quarter 2013	-	(103,947)	(0.00)	4,226	57,775
2nd Quarter 2013	-	(161,363)	(0.01)	2,743	124,330
1st Quarter 2013	-	(132,266)	(0.01)	2,373	117,128

Fourth Quarter

The Company's primary activities in the three months ended September 30, 2014 were as follows:

The Company realized a net loss of $767,518 or $0.03 per share (2013 – net loss of $233,959 or $0.01per share); expenses were comprised primarily of accrued interest on loans and convertible notes, and professional fees related to the Kern Front Field property. Management fees for directors or officers of the Company were $15,000 (2013 – $15,000). Interest expense of $64,862 was incurred primarily due to the accrual of interest on convertible notes and on loans from related parties (2013 - $58,750 on convertible notes and on loans from related parties). Professional fees of $79,464 were recorded (2013 - $38,229). The increase is primarily due to costs of litigation in connection with the Kern Front field. Transfer agent and filing fees were $2,170 (2013 - $4,891).

Primary sources of cash were advances from related parties $127,951 (2013 - $22,543). The primary uses of cash were the funding of operations - $52,644 (2013 - $9,369), the purchase of a reclamation bond $112,080 (2013 – $nil) and exploration and evaluation asset costs - $677 (2013 – $18.914).

Liquidity and Solvency

The amount of cash on hand was $6,206 at September 30, 2014 compared to $6,219 at September 30, 2013. The sources of cash in the year ended September 30, 2014 were recovery in relation to the WSI judgement $37,551 (2013 - $nil), and advances from related parties of $169,261 (2013 - $32,538). The primary uses of cash were the funding of operations - $106,057 (2013 - $102,579), the purchase of a reclamation bond $112,080 (2013 – $nil) and exploration and evaluation asset costs - $677 (2013 – $32,533). The Company has no earnings and therefore must finance its activities by joint ventures or by the sale of common shares or other financing sources.

As of September 30, 2014 the Company had a working capital deficit of $1,454,863. The Company currently has no source of operating cash flow, limited financial resources, and has no assurance that additional funding will be available to it for further exploration and development of its properties or to enable it to fulfil its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Issuer's properties and the possible loss of title to such properties. The ability of the Company to continue as a going concern and realize the carrying value of its resource properties is dependent upon the continued financial support from related parties, the ability of the Company to raise equity financing to continue exploration and development activities or contract out further work with joint venture partners, the discovery of economically recoverable reserves, and upon future profitable operations or proceeds from disposition of resource properties.

Capital Stock

Authorized and issued capital stock as at February 3, 2015

Authorized – unlimited common shares without par value and,
unlimited preference shares without par value

Issued and Outstanding: 24,187,142 common shares

(i) Options

Expiry Date	Number of Shares	Exercise Price Per Share
January 4, 2018	300,000	0.10
	300,000	

(ii) Warrants

Exercise Price Per Share	Expiry Date	Number of Shares	Weighted Average Life in Years
$ 0.10	May 12, 2016	146,250	1.29
$ 0.10	August 28, 2017	4,000,000	2.58
$ 0.10	September 6, 2017	35,730,000	2.61
$ 0.10	October 11, 2017	2,166,500	2.70
		42,405,250	2.58

Special Warrants

	September 30, 2014	September 30, 2013
Balance, beginning	1,309,500	1,309,500
Exercised	-	-
Balance, ending	1,309,500	1,309,500

Related Party Transactions

During the year ended September 30, 2014 the Company entered into the following transactions with related parties:

a) The Company incurred management fees of $60,000 to a company controlled by the Chief Financial Officer ("CFO") of the Company (2013 - $60,000).

b) Loans totalling $44,250 were received from a company controlled by the CFO of the Company (2013 – $24,650). The loans bear no interest. On February 1, 2014 the total amount owing was settled with a promissory note owing to this company in the amount of $172,900. The promissory note bears interest at 8% per annum. Further advances of $24,150 were received on the promissory to September 30, 2014. Accrued interest on the promissory note amounted to of $9,670 (2013 - $nil).

c) Expenses totalling net $12,739 were paid by the CFO of the Company (2013 – $1,213).

d) The Company paid net $nil (2013 –net $145) to a company with a director in common for expenditures on behalf of the Company.

e) Tearlach California issued a promissory note in the amount of $112,080 ($100,000 US) to a company related by a director in common. The promissory note bears interest at 6% per annum, is secured by the Company`s interest in the Kern Front Field and is payable from the proceeds of the eventual disposition of the Kern Front Field.

Amounts owing to related parties as at September 30, 2014 and 2013 were as follows:

	September 30, 2014	September 30, 2013
CFO, Charles Ross, and companies controlled by the CFO for management fees, loans and expenses	$ 49,489	$ 108,089
Promissory note and accrued interest payable to a company controlled by the CFO (bearing interest at 8% per annum).	206,720	-
Promissory note and accrued interest payable to, Bounty Oil & GAS NL, a company related by a common director (bearing interest at 6% per annum). Payable from proceeds of disposition of Kern Front Field.	112,080	-
President, Malcolm Fraser, for expense advances	(4,718)	(53)
Companies with directors in common	(3,060)	1,554
	$ 360,511	$ 109,590

Unless otherwise noted, related party amounts are unsecured, bear no interest and have no fixed terms of repayment. Amounts owing to the CFO are secured by a general security agreement on the assets of the Company. Amounts owing to the company with a director in common are secured by the Company`s interest in the Kern Front Field.

Compensation to directors and officers of the Company was paid as follows:

	Year ended	
	September 30, 2014	September 30, 2013
Short-term benefits	$ 60,000	$ 60,000
Stock-based compensation	-	20,084
Total	$ 60,000	$ 80,084

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of annual financial statements and the Management's Discussion and Analysis ("MD&A"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

Accounting Principles

The financial statements have been prepared in accordance with IFRS. The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Exploration and evaluation assets

The Company records its interests in exploration and evaluation assets at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of exploration and evaluation assets and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

The costs include cash or other consideration and the assigned value of shares issued, if any, on the acquisition of exploration and evaluation assets. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect recoverable value. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each exploration and evaluation asset interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations.

Exploration and evaluation assets interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing properties and all of its efforts to date have been exploratory in nature.

Oil and gas properties
The Company follows the full cost method of accounting for its oil and gas operations whereby all cost related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits.

All of the Company's oil and gas interests are held in the United States and accordingly, the Company has a single cost centre, being the United States. Certain oil and gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

The Company reviews the carrying value of its oil and gas properties, which are currently unproven, annually, or when there is a significant change in events or circumstances. The estimate of net realizable value is determined by reference to the project economics, the timing of exploration work, the work programs and the exploration results achieved on the project. Where an impairment occurs, a charge to earnings would be made. Once commercial production is achieved, the Company will apply a ceiling test to ensure that capitalized costs do not exceed total estimated future net revenues from the production of proved reserves less general and administrative expenses, financing costs, site restoration costs and income taxes related to future production. Any reduction in value as a result of the ceiling test will be charged to operations as additional depletion, depreciation, and amortization. The Company did not apply a ceiling test in the year ended September 30, 2013 because it is at the pilot stage of development and no proven reserves have been established.

Once in commercial production, capitalized costs of proven reserves and equipment will be depleted using a unit-of-production method based upon estimated proven reserves net of royalties. Unless a significant amount of reserves is involved, proceeds received from the disposition of oil and gas properties are credited to the capitalized costs. In the event of a significant sale of reserves, a proportionate amount of cost and accumulated depletion, based upon the ratio of reserves sold to total reserves, will be removed from the capitalized costs and the resultant profit or loss is taken into income. To date, there has been no commercial production from the property and as a result no depletion has been recorded.

The recoverability of the amounts shown for oil and gas properties is dependent upon the existence of economically recoverable oil reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to bring the reserves into production, and upon future profitable production or proceeds from the disposition of properties. The amounts shown as oil and gas interests represent net costs to date, less proceeds from oil sales received from development programs and impairment provisions.

Asset retirement obligations
The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled.

Resource property related retirement obligations are capitalized as part of carrying values and are accounted for in the same manner as all other capitalized costs.

Changes in Accounting Policies

Accounting standards issued but not yet effective

The Company has not early adopted the following new or revised standards and does not expect that the new and revised standards will have any impact on its financial statements.

IFRS 9 – Financial Instruments ("IFRS 9") - This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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 instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IAS 32 – Financial Instruments: Presentation ("IAS 32") - These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Other - Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Risks and Uncertainties
The main risks that can affect the Company include, changes in natural gas and oil prices, currency fluctuation, changes in market prices for nickel copper, platinum, palladium, and other precious metals and minerals and government regulation and operational.

Management of Industry Risk
The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company's mineral exploration activities expose it to potential environmental liability risk. It is management's policy to review environmental compliance and exposure on an ongoing basis. The Company follows industry standards and specific project environmental requirements. The Company is currently in the exploration stage on its property interests and has not determined whether significant site recovery costs will be required. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Natural Gas and Oil prices
The Company's operations may be adversely affected by changes in crude oil or natural gas prices which can influenced by global and regional supply and demand, the risks of war, natural disasters and the political and economic conditions of major oil producing countries throughout the world.

Currency Fluctuation
The Company will subject to foreign currency fluctuations in satisfying obligations related to the Kern Front property. Crude oil is priced in US dollars; therefore the strengthening or weakening of the Canadian dollar relative to the US dollar will decrease or increase the amount received in Canadian dollars. Currently the Company does not use any hedging or derivative instruments to reduce its exposure to foreign currency risk.

Mineral prices
The Company's operations may be adversely affected by changes in prices for nickel, copper, platinum, palladium, and other precious metals which can be influenced by global and regional supply and demand, and the political and economic conditions of major mineral producing countries throughout the world.

Government regulation
The Company's operations may be adversely affected by changes in Governmental policies or other economic developments which are not within the control of the Company including a change in crude oil or natural gas pricing policy, taxation policies, economic sanctions, and currency control. The Company is subject to various laws governing prospecting, exploration, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner, which could increase the cost of operations.

Operational
The Company is exposed to operational risk associated in exploring for, developing and producing mineral, crude oil and natural gas properties. There are numerous uncertainties in estimating oil and gas reserves and in projecting future production, costs and expenses and the results, timing and costs of exploration and development projects. Total amounts or timing of production may vary significantly from reserves and production estimates.

Financial Instruments and Management of Financial Risk

Financial risk factors
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk exposure on cash and cash equivalents is limited to their carrying amounts at the date of the consolidated statements of financial position. The Company's credit risk is primarily attributable to cash and cash equivalents, marketable securities and receivables. Management believes that the credit risk concentration with respect to cash, marketable securities and investments is remote. Receivables are due primarily from a government agency.

Liquidity risk
Liquidity risk arises from the Company's general and capital financing needs. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at September 30, 2014, the Company had a cash balance of $6,206 to settle current liabilities of $1,463,742. All of the Company's financial liabilities 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. These fluctuations may be significant.

(a) Interest rate risk
The Company has cash balances and no debt. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The assumed 1% change in interest rates would result in additional interest expense of about $20,000.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar. The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars. However, management believes the risk is not currently significant.

*(*c) 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 non-ferrous metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Financial instruments fair values
Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying values of cash and cash equivalents are determined using level one of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities and amount due to related party approximate their fair value because of the short-term nature of these instruments.

Other risks
The Company will need additional funding to complete its short and long term objectives. The ability of the Company to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Company. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. The market price of the Company's shares at any given point in time may not accurately reflect value. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

The Company is dependent upon the services of key executives, including the Chief Executive Officer. Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Critical Accounting Estimates
The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of useful lives of depreciated and amortized assets, the recoverability of the carrying value of exploration and evaluation assets, assumptions used in determination the share based payments, the recoverability and measurement of deferred tax assets, decommissioning, restoration and similar liabilities and contingent liabilities.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the evaluation of the Company's ability to continue as a going concern, the classification of expenditures as exploration and evaluation expenditures or operating expenses and the classification of financial instruments.

Caution Regarding Forward-Looking Information

Certain disclosures contained in this MD&A constitute forward-looking information within the meaning of the Ontario Securities Act and Alberta Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. This is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources, the geology, grade and continuity of mineral deposits and the possibility that future exploration and development results will not be consistent with the Company's expectations. Some other risks and factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A are described under the heading "Risks" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com

Readers are cautioned that any such listings of risks are not, and in fact cannot be, complete. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Additional and more detailed information relating to the Company may be found at www.tearlach.ca