

TEARLACH RESOURCES LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

Description of Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements for the three months ended December 31, 2019 and the audited consolidated financial statements for the year ended September 30, 2019 ("Financial Statements") of Tearlach Resources Limited (the "Company"). The following discussion is dated and current as of March 2, 2020. 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. The Company does not currently have any mineral and oil and gas properties.

Discussion of Operations

During the period ended December 31, 2019, the Company reviewed several opportunities for acquisition of oil and gas properties to both take advantage of the current market conditions and position the Company for a possible industry turn around.

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.

The Company does not have any properties in production and, therefore, did not generate any revenue from operations during the period. 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.

Exploration and evaluation assets

The Company's assets categorized in the financial statements as "Exploration and evaluation assets" were \$nil at December 31, 2019.

Legal Actions and Contingencies

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 and Ingrid Aliet-Gass. 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 and Ingrid Aliet-Gass 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. The judgement has survived various motions and appeals (up to the California Supreme Court) and, as of September 30, 2019 remained outstanding in the amount of \$27,307,575.61, including accrued interest and costs.

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Selected Annual Information

Year ended	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration & Development Expenditures	General & Admin. Expenditures	Total Assets
	\$	\$	\$	\$	\$	\$
September 30, 2019	-	1,660,311	0.03	-	7,754	1,858
September 30, 2018	-	(317,276)	(0.01)	-	1,570	3,018
September 30, 2017	-	(401,370)	(0.02)	-	4,795	1,852

Results of Operations

The following discussion should be read in conjunction with the accompanying Financial Statements and related notes. During the three months ended December 31, 2019, the Company was principally involved in the evaluation of potential oil property acquisitions.

The Company realized net loss of \$7,611 for the three months ended December 31, 2019 or \$0.00 per share (2018 – \$66,386 or \$0.00 per share). The Company incurred management fees of \$nil to a company controlled by Charles Ross, the CFO of the Company (2018 - \$15,000). Professional fees were \$2,065 (2018 - \$3,756). Transfer agent and filing fees were \$2,211 (2018 - \$1,813). Office and general expenses decreased to \$272 (2018 - \$2,530). Interest expense decreased to \$3,156 (2018 - \$35,102) as the convertible debentures settled in 2019.

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 December 31, 2019

Period	Revenues	Profit or (Loss)	Profit or (Loss) per share	Exploration Expenditures	General & Admin. Expenditures
1 st Quarter 2020	-	(7,611)	(0.00)	-	272
4 th Quarter 2019	-	1,729,132	0.028	-	257
3 rd Quarter 2019	-	22,094	0.000	-	2,404
2 nd Quarter 2019	-	(24,529)	(0.000)	-	2,568
1 st Quarter 2019	-	(66,386)	(0.003)	-	2,530
4 th Quarter 2018	-	(103,642)	(0.004)	-	478
3 rd Quarter 2018	-	(68,779)	(0.003)	-	445
2 nd Quarter 2018	-	(70,766)	(0.003)	-	306

Liquidity and Solvency

The amount of cash on hand was \$1,624 at December 31, 2019 compared to \$1,373 at September 30, 2019. The sources of cash in the period ended December 31, 2019 were advances from related parties of \$45 (2018 - \$1,714) and loan advances of \$3,000 (2018 - \$nil) and promissory notes advances of \$nil (2018 - \$16,150). The primary uses of cash were the funding of operations - \$2,794 (2018 - \$16,602) and promissory notes payments \$nil (2018 - \$2,267). 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.

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As of December 31, 2019, the Company had a working capital deficit of \$171,647. 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 March 2, 2020

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

Issued and Outstanding: 62,873,557 common shares

On January 30, 2019, the Company issued 38,651,415 shares at \$0.05 per share for a fair value of \$1,934,321 to settle debt of \$3,868,641, resulting in a gain on settlement of \$1,934,321. Of this amount \$191,750 was allocated to deficit as it was to a related party and \$1,742,571 was allocated to gain on settlement of debt on the statement of comprehensive income (loss).

(i) Options

There are no options outstanding.

(ii) Warrants

There are no warrants outstanding.

Special Warrants

	December 31, 2019	September 30, 2019
Balance, beginning	1,309,500	1,309,500
Exercised	-	-
Balance, ending	1,309,500	1,309,500

Related Party Transactions

During the three months December 31, 2019 and 2018, the Company entered into the following transactions with related parties:

- The Company incurred management fees of \$nil to a company controlled by the Chief Financial Officer ("CFO") of the Company, Charles Ross (2018 - \$15,000).
- Promissory note advances totalling \$nil were received from a company controlled by the CFO of the Company, Modaven Capital Corporation, (2018 – \$2,322). The promissory note bore interest at 8% per annum. Interest of \$nil was accrued on the promissory note (2018 –\$3,374).

Amounts owing to related parties were as follows:

	December 31, 2020	September 30, 2019
CFO and companies controlled by the CFO for management fees, loans and expenses	\$ 16,190	\$ 16,146
Promissory note and accrued interest payable to a company controlled by the CFO, Modaven Capital Corporation (bearing interest at 8% per annum).	-	-
	<u>\$ 16,190</u>	<u>\$ 16,146</u>

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Unless otherwise noted, related party amounts are unsecured, bear no interest and have no fixed terms of repayment. Amounts owing to the CFO, Charles Ross, are secured by a general security agreement on the assets of the Company.

During the year ended September 30, 2018, the Company received a promissory note and cash advances of \$51,500. The note is issued to a company controlled by a director. The note is payable on demand and bears interest at a rate of 10% per annum. During the year ended September 30, 2019, the Company received further advances of \$54,460. During the three months ended December 31, 2019, the Company recorded \$2,896 (2018 – \$1,390) as interest expense on the promissory note. At December 31, 2019, the principal amount of loan is \$105,960 and accrued interest is \$13,809.

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of the 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 were held in the United States and accordingly, the Company has a single cost centre, being the United States. Certain oil and gas activities were conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

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The Company reviews the carrying value of its oil and gas properties 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.

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.

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 be 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 be subject to foreign currency fluctuations in satisfying obligations. 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.

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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 December 31, 2019, the Company had a cash balance of \$1,624 to settle current liabilities of \$173,689. 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 \$1,000.

(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,

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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 of 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

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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