

**ECHELON PETROLEUM CORP.**  
**(Formerly Rara Terra Minerals Corp.)**  
**Condensed Consolidated Interim Financial Statements**  
**Three Months Ended June 30, 2013**

**Expressed in Canadian Dollars**  
**(Unaudited)**

#### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management of Echelon Petroleum Corp.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Echelon Petroleum Corp.  
(formerly Rara Terra Minerals Corp.)  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars - unaudited)

	Notes	June 30, 2013	March 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 106,160	\$ 271,331
Prepaid expenses		11,385	8,500
Receivables	3	21,339	17,163
		138,884	296,994
<b>Non-current assets</b>			
Mineral exploration and evaluation assets	4	477,786	461,197
Oil and gas exploration and evaluation assets	5	1,116,589	1,116,526
		1,594,375	1,577,723
<b>TOTAL ASSETS</b>		<b>\$ 1,733,259</b>	<b>\$ 1,874,717</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	6	\$ 36,792	\$ 49,118
<b>TOTAL LIABILITIES</b>		<b>36,792</b>	<b>49,118</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	3,444,018	3,442,818
Share-based payment reserve	8	343,158	343,158
Deficit		(2,090,709)	(1,960,377)
<b>TOTAL EQUITY</b>		<b>1,696,467</b>	<b>1,825,599</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,733,259</b>	<b>\$ 1,874,717</b>

Subsequent event (Note 9)

On behalf of the board:

"Alex Helmel"  
Director

"Roger Flowerdew"  
Director

Echelon Petroleum Corp.  
(formerly Rara Terra Minerals Corp.)  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars - unaudited)

	Notes	Three month periods ended	
		June 30, 2013	June 30, 2012
<b>Revenues</b>			
Oil sales	5	\$ 12,000	\$ -
<b>Expenses</b>			
Consulting and management fees	7	82,000	63,000
General and administrative		5,962	1,280
Investor relations		3,875	5,839
Professional fees		10,720	899
Property investigation costs		-	8,575
Rent	7	10,500	10,500
Transfer agent and filing fees		10,857	1,177
Travel and promotion		15,218	642
		(139,132)	(91,912)
<b>Net loss before other items</b>		<b>(127,132)</b>	<b>(91,912)</b>
<b>Other Items</b>			
Impairment of exploration and evaluation assets	4	3,200	-
Interest income		-	314
<b>Net and comprehensive loss for the period</b>		<b>\$ (130,332)</b>	<b>\$ (91,598)</b>
<b>Loss per share – basic and diluted</b>	8	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>

Echelon Petroleum Corp.  
(formerly Rara Terra Minerals Corp.)  
Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars - unaudited)

	Notes	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
<b>Balance at April 1, 2012</b>		<b>16,224,901</b>	<b>\$ 2,603,099</b>	<b>\$ 269,875</b>	<b>\$ (987,155)</b>	<b>\$ 1,885,819</b>
Comprehensive income:						
Loss for the period		-	-	-	(91,598)	(91,598)
Transactions with shareholders, in their capacity as shareholders, and other transfers:						
Shares issued to acquire exploration and evaluation asset		82,500	6,600	-	-	6,600
<b>Balance at June 30, 2012</b>		<b>16,307,401</b>	<b>\$ 2,609,699</b>	<b>\$ 269,875</b>	<b>\$ (1,078,753)</b>	<b>\$ 1,800,821</b>
<b>Balance at April 1, 2013</b>		<b>22,047,714</b>	<b>\$ 3,442,818</b>	<b>\$ 343,158</b>	<b>\$ (1,960,377)</b>	<b>\$ 1,825,599</b>
Comprehensive income:						
Loss for the period		-	-	-	(130,332)	(130,332)
Transactions with shareholders, in their capacity as shareholders, and other transfers:						
Shares issued to acquire exploration and evaluation asset	4,8	7,500	1,200	-	-	1,200
<b>Balance at June 30, 2013</b>		<b>22,055,214</b>	<b>\$ 3,444,018</b>	<b>\$ 343,158</b>	<b>\$ (2,090,709)</b>	<b>\$ 1,696,467</b>

See accompanying notes to the consolidated financial statements

Echelon Petroleum Corp.  
(formerly Rara Terra Minerals Corp.)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars – unaudited)

	Three month periods ended	
	June 30, 2013	June 30, 2012
<b>Operating activities</b>		
Net loss	\$ (130,332)	\$ (91,598)
Adjustments for non-cash items:		
Impairment of exploration and evaluation assets	3,200	-
Changes in non-cash working capital items:		
Receivables	(4,176)	116,958
Prepaid expenses	(2,885)	-
Accounts payables and accrued liabilities	(12,326)	(1,765)
Due to related parties	-	(3,291)
<b>Net cash flows from (used in) operating activities</b>	<b>(146,519)</b>	<b>20,304</b>
<b>Investing activities</b>		
Mineral exploration and evaluation expenditures	(18,589)	(26,060)
Oil and gas exploration and evaluation expenditures	(63)	-
<b>Net cash flows used in investing activities</b>	<b>(18,652)</b>	<b>(26,060)</b>
Decrease in cash	(165,171)	(5,756)
Cash, beginning	271,331	1,330,361
<b>Cash, ending</b>	<b>\$ 106,160</b>	<b>\$ 1,324,605</b>
<b>Non-cash transaction:</b>		
Fair value of shares issued for acquisition of exploration and evaluation assets	\$ 1,200	\$ 6,600

See accompanying notes to the consolidated financial statements

**1. Nature and continuance of operations**

Echelon Petroleum Corp. (the "Company") was incorporated in the name of Rara Terra Capital Corp. under the British Columbia Business Corporations Act on December 17, 2009. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange ("Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange and completed its Qualifying Transaction in May 2011 and changed its name to Rara Terra Minerals Corp. In May 2013, the Company changed its name to Echelon Petroleum Corp. The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these assets contain reserves that are economically recoverable.

The head office and principal address is located at 1100 Melville Street, Suite 830, Vancouver, British Columbia, Canada, V6E 4A6. The records and registered office is located at 885 West Georgia Street Suite 800, Vancouver, British Columbia, V6C 3H1.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2013 the Company had not advanced its assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months from existing working capital and or the private placement of common shares.

**2. Significant accounting policies and basis of preparation**

These unaudited interim consolidated financial statements were authorized for issue on August 29, 2013 by the directors of the Company.

***Statement of compliance with International Financial Reporting Standards***

These Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS 34"), Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's financial statements as at and for the year ended March 31, 2013. Accounting policies applied in the preparation of these unaudited interim financial statements are the same as those applied in the preparation of the Company's annual financial statements for the year ended March 31, 2013.

***Basis of preparation***

The interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**2. Significant accounting policies and basis of preparation (cont'd)**

***Consolidation***

The interim consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned*	
		June 30, 2013	March 31, 2012
0960128 B.C. LTD.	Canada	100%	n/a

\*Percentage of voting power is in proportion to ownership.

During the three months ended June 30, 2013, the Company's subsidiary, 0960128 BC LTD, was inactive.

***Significant estimates and assumptions***

The preparation of the Company's interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

***Significant judgments***

The preparation of interim consolidated 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 assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

**3. Receivables**

	June 30, 2013	March 31, 2013
Accounts receivable (Note 5)	\$ 12,000	\$ -
GST/HST receivable	9,339	17,163
	\$ 21,339	\$ 17,163



**4. Mineral exploration and evaluation assets**

	Xeno Property	Lonnie Property	Total for period ended June 30, 2013	Total for year ended March 31, 2013
Acquisition costs:				
Balance, beginning	\$ 195,350	\$ -	\$ 195,350	\$ 165,187
Cash	-	2,000	2,000	66,607
Shares	-	1,200	1,200	21,450
Write-off	-	(3,200)	(3,200)	(57,894)
Balance, Ending	195,350	-	195,350	195,350
Exploration and evaluation expenditures:				
Balance, beginning	265,847	-	265,847	292,562
Consulting	-	-	-	-
Geophysical survey	15,600	-	15,600	146,252
Staking	989	-	989	14,509
Tax credit	-	-	-	(18,969)
Write-off	-	-	-	(168,507)
Balance, ending	282,436	-	282,436	265,847
Total	\$ 477,786	\$ -	\$ 477,786	\$ 461,197

***Xeno Property, British Columbia***

On June 9, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$14,500 upon signing of the agreement (paid);
- \$12,500 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750);
- \$10,000 (paid) and 50,000 common shares (issued with a fair value of \$4,500) on the 1<sup>st</sup> anniversary of the Exchange approval date; and
- \$10,000 (Note 9) and 50,000 common shares (Note 9) on the 2<sup>nd</sup> anniversary of the Exchange approval date.

On June 15, 2011, the Company entered into an option agreement to acquire a 100% interest in certain claims in the Xeno property in British Columbia, Canada for the following consideration:

- \$28,000 upon signing of the agreement (paid);
- \$28,000 (paid) and 75,000 common shares upon approval of the Exchange (issued with a fair value of \$18,750); and
- \$50,000 (paid) and 115,000 common shares (issued with a fair value of \$10,350) on the 1<sup>st</sup> anniversary of the Exchange approval date.

**4. Exploration and evaluation assets (cont'd)**

***Lonnie Property, British Columbia***

On January 31, 2011, the Company entered into an agreement to purchase an undivided 60% interest in certain mining claims located in the Omineca Mining division of British Columbia for the following considerations:

- a) \$60,000 to be paid as:
  - \$10,000 refundable deposit paid Nov 29, 2010 (paid);
  - \$10,000 refundable deposit on agreement execution (paid);
  - \$20,000, renegotiated to \$4,607, on May 5, 2012 (paid); and
  - \$20,000 before May 5, 2013.
  
- b) \$500,000 exploration expenditures to be incurred as:
  - \$100,000 on or before May 5, 2012 (incurred);
  - \$100,000 on or before May 5, 2013; and
  - \$300,000 on or before May 5, 2014.
  
- c) Shares to be issued as:
  - 75,000 on or before the Acceptance Date (issued with a fair value of \$20,625);
  - 75,000 on or before May 5, 2012 (issued with a fair value of \$6,000);
  - 75,000 on or before May 5, 2013; and
  - 60,000 on or before May 5, 2014.

The Company agreed to pay two unrelated individuals cash payments of \$6,000 and share issuance of 30,000 shares in total as finders' fees:

- Cash payments of \$2,000 (paid) and issuance of 7,500 shares (issued with a fair value of \$2,062) on the Acceptance Date;
- Cash payments of \$2,000 (paid) and issuance of 7,500 shares (issued with a fair value of \$600) on May 5, 2012;
- Cash payments of \$2,000 (paid) and issuance of 7,500 shares (issued with a fair value of \$1,200) on May 5, 2013 (Note 8); and
- Issuance of 7,500 shares on May 5, 2014.

In April 2013, the Company terminated the option agreement for the Lonnie Property. During the year ended March 31, 2013, the Company recorded an impairment loss of \$226,401 to write off the Lonnie Property. During the three months ended June 30, 2013, the Company recorded an impairment loss of \$3,200 to write off additional costs for the Lonnie Property.

**5. Oil and gas exploration and evaluation assets**

	March 31, 2013	Additions	June 30, 2013
Acquisition costs:			
Trego Property	\$ 439,464	\$ -	\$ 439,464
Exploration and evaluation expenditures:			
Trego Property	677,062	63	677,125
	\$ 1,116,526	\$ 63	\$ 1,116,589

***Trego County Property, Kansas, United States***

On November 15, 2012 the Company entered into an Oil & Gas Turnkey Participation and Operating Agreement (“OGA”) with Circlestar Energy Corp. (“Circlestar”) wherein for consideration of US\$393,750, Circlestar sold to the Company a 75% working interest before payout (60% net revenue interest) and a 56.25% working interest after payout (45% net revenue interest) in an oil and gas exploration and development prospect located in Trego County, Kansas. In December 2012, the Company made payments totaling \$395,027 (US\$393,750) to Circlestar with respect to the drilling and completion of the first Trego County Property well prospect. The OGA also grants the Company a right of first refusal to participate and acquire interests in new well projects on the Trego County Property. If the Company does not participate in those future project well opportunities or fund its share of the associated costs, the Company will lose its right of first refusal to participate and acquire interests in any future project well opportunities.

During the year ended March 31, 2013, the Company issued 370,313 common shares with a fair value of \$44,437 pursuant to a finder’s agreement between the finder and the Company.

On March 28, 2013, the Company entered into a non-binding Letter of Intent (“LOI”) with Circlestar for the proposed acquisition of a working interest in certain additional wells to be located on oil and gas properties in Trego County, Kansas. The extent of the participating interest to be acquired and the purchase price remain subject to due diligence and negotiation. Pursuant to the LOI, the Company has advanced a non-refundable due diligence payment in the amount of \$192,694 (US\$188,100) to fund a 3D seismic program on the project, which has been included in comprehensive loss for the year ended March 31, 2013 as the Company has not yet obtained the legal right to explore.

During the three months ended June 30, 2013, the Company earned \$12,000 in revenues from oil sales from production on the Trego Property, which is receivable at June 30, 2013 (Note 3).

**6. Accounts payables and accrued liabilities**

	June 30, 2013	March 31, 2013
Accounts payables	\$ 36,792	\$ 24,782
Accrued liabilities	-	24,336
	\$ 36,792	\$ 49,118

**7. Related party transactions**

***Related party balances:***

There were no balances owing to related parties at June 30, 2013 or March 31, 2013.

***Related party transactions:***

The Company incurred the following transactions with the directors of the Company and companies that are controlled by directors of the Company.

	Three month periods ended	
	June 30, 2013	June 30, 2012
Consulting fees	\$ 60,000	\$ 63,000
Rent	10,500	10,500
	\$ 70,500	\$ 73,500

***Key management personnel compensation***

	Three month periods ended	
	June 30, 2013	June 30, 2012
Consulting	\$ 60,000	\$ 63,000

**8. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

At June 30, 2013 there were 22,055,214 issued and fully paid common shares (March 31, 2013 – 22,047,714).

***Share issuances for exploration and evaluation assets***

During the three months ended June 30, 2013, the Company issued 7,500 common shares with a fair value of \$1,200 as finders' fees for the Lonnie Property (Note 4).

***Basic and diluted loss per share***

The calculation of basic and diluted loss per share for the three months ended June 30, 2013 was based on the loss attributable to common shareholders of \$130,332 (2012 - \$91,598) and the weighted average number of common shares outstanding of 22,048,906 (2012 – 16,401,929).

Diluted loss per share did not include the effect of 1,134,100 stock options or 4,546,201 warrants as the effect would be anti-dilutive.

***Escrow shares***

At June 30, 2013, there were 675,000 shares (March 31, 2013 – 1,012,500) in escrow which will be released over the next 10 months.

**8. Share capital (cont'd)**

***Stock options***

The changes in options during the three month period ended June 30, 2013 are as follows:

	June 30, 2013	
	Number of options	Weighted average exercise price
Options outstanding, beginning of period	1,134,100	\$ 0.21
Options granted	-	-
Options cancelled	-	-
Options outstanding, end of period	1,134,100	\$ 0.21

Details of options outstanding as at June 30, 2013 are as follows:

Exercise price	Remaining contractual life	Number of options
\$0.10	2.16 years	360,000
\$0.26	2.84 years	724,100
\$0.26	3.02 years	50,000
		1,134,100

At June 30, 2013, the weighted average remaining contractual life of options outstanding was 2.63 years.

***Warrants***

The changes in warrants during the three month period ended June 30, 2013 are as follows:

	June 30, 2013	
	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	4,546,201	\$ 0.39
Warrants granted	-	-
Finder's warrants	-	-
Warrants exercised	-	-
Warrants outstanding, end of period	4,546,201	\$ 0.39

Details of warrants outstanding as at June 30, 2013 are as follows:

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding
\$ 0.39	0.35 years	4,546,201

***Share-based payment reserve***

The share-based payment reserve records items recognized as stock-based compensation expense and finders' fees until such time that the stock options and finders' warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**9. Subsequent events**

- a) Subsequent to June 30, 2013, the Company paid \$10,000 and issued 50,000 common shares pursuant to the Xeno Property option agreement (Note 4).
- b) Additionally, 50,000 stock options with an exercise price of \$0.26 expired following the discontinuance of the Company's Board of Advisors and the subsequent expiration of the 90 day exercise period following notification to the advisor of the discontinuance.