

ECHELON PETROLEUM CORP.
(Formerly Rara Terra Minerals Corp.)
Interim Condensed Consolidated Financial Statements
Three and Six Months Ended September 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 condensed 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 interim condensed 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.)
Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - unaudited)

	Notes	September 30, 2013	March 31, 2013
ASSETS			
Current assets			
Cash		\$ 6,909	\$ 271,331
Prepaid expenses		28,455	8,500
Receivables	3	9,151	17,163
		44,515	296,994
Non-current assets			
Mineral exploration and evaluation assets	4	495,286	461,197
Oil and gas exploration and evaluation assets	5	1,143,504	1,116,526
		1,638,790	1,577,723
TOTAL ASSETS		\$ 1,683,305	\$ 1,874,717
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	6	\$ 99,610	\$ 49,118
TOTAL LIABILITIES		99,610	49,118
SHAREHOLDERS' EQUITY			
Share capital	8	3,451,518	3,442,818
Share-based payment reserve	8	343,158	343,158
Deficit		(2,210,981)	(1,960,377)
TOTAL EQUITY		1,583,695	1,825,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,683,305	\$ 1,874,717

Subsequent event (Note 9)

On behalf of the board:

"Alex Helmel"
Director

"Roger Flowerdew"
Director

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

	Notes	Three month periods ended		Six month periods ended	
		September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Revenues					
Oil sales, net	5	\$ (6,746)	\$ -	\$ 5,254	\$ -
Expenses					
Consulting and management fees	7	73,667	63,000	155,667	126,000
General and administrative		4,946	2,999	10,907	4,278
Investor relations		1,000	7,889	4,875	13,728
Professional fees		20,272	5,531	30,993	6,430
Property investigation costs		-	3,000	-	11,575
Rent	7	10,500	10,391	21,000	20,891
Transfer agent and filing fees		3,141	4,272	13,998	5,450
Travel and promotion		-	750	15,218	1,392
		(113,526)	(97,832)	(252,658)	(189,744)
Net loss before other items		(120,271)	(97,832)	(247,404)	(189,744)
Other Items					
Impairment of exploration and evaluation assets	4	-	-	3,200	-
Interest income		-	-	-	314
Net and comprehensive loss for the period		\$ (120,271)	\$ (97,832)	\$ (250,604)	\$ (189,430)
Loss per share – basic and diluted	8	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)

Echelon Petroleum Corp.
(formerly Rara Terra Minerals Corp.)
Interim Condensed 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			
Balance at April 1, 2012		16,224,901	\$ 2,603,099	\$ 269,875	\$ (987,155)	\$ 1,885,819
Comprehensive income:						
Loss for the period		-	-	-	(189,430)	(189,430)
Transactions with shareholders, in their capacity as shareholders, and other transfers:						
Shares issued to acquire exploration and evaluation assets		247,500	21,450	-	-	21,450
Fair value of warrant extension		-	-	80,037	(80,037)	-
Balance at September 30, 2012		16,472,401	\$ 2,624,549	\$ 349,911	\$ (1,256,621)	\$ 1,717,839
Balance at April 1, 2013		22,047,714	\$ 3,442,818	\$ 343,158	\$ (1,960,377)	\$ 1,825,599
Comprehensive income:						
Loss for the period		-	-	-	(250,604)	(250,604)
Transactions with shareholders, in their capacity as shareholders, and other transfers:						
Shares issued to acquire exploration and evaluation assets	4,8	57,500	8,700	-	-	8,700
Balance at September 30, 2013		22,105,214	\$ 3,451,518	\$ 343,158	\$ (2,210,981)	\$ 1,583,695

See accompanying notes to the interim condensed consolidated financial statements

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

	Six month periods ended	
	September 30, 2013	September 30, 2012
Operating activities		
Net loss	\$ (250,604)	\$ (189,430)
Adjustments for non-cash items:		
Impairment of exploration and evaluation assets	3,200	-
Changes in non-cash working capital items:		
Receivables	(11,292)	116,958
Prepaid expenses	(651)	5,000
Accounts payables and accrued liabilities	50,492	(469)
Due to related parties	-	(3,291)
Net cash flows used in operating activities	(208,855)	(71,232)
Investing activities		
Mineral exploration and evaluation expenditures	(28,589)	(226,780)
Oil and gas exploration and evaluation expenditures	(26,978)	-
Net cash flows used in investing activities	(55,567)	(226,780)
Decrease in cash	(264,422)	(298,012)
Cash, beginning	271,331	1,330,361
Cash, ending	\$ 6,909	\$ 1,032,349
Non-cash transaction:		
Fair value of shares issued for acquisition of exploration and evaluation assets	\$ 8,700	\$ 21,450

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 interim condensed 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 September 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 condensed consolidated financial statements were authorized for issue on November 29, 2013 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

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

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

Consolidation

The interim condensed 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*	
		September 30, 2013	March 31, 2012
0960128 B.C. LTD.	Canada	100%	n/a

*Percentage of voting power is in proportion to ownership.

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

Significant estimates and assumptions

The preparation of the Company's interim condensed 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 condensed 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

	September 30, 2013	March 31, 2013
Accounts receivable (Note 5)	\$ 5,550	\$ -
GST/HST receivable	3,601	17,163
	\$ 9,151	\$ 17,163

4. Mineral exploration and evaluation assets

	Xeno Property	Lonnie Property	Total for period ended September 30, 2013	Total for year ended March 31, 2013
Acquisition costs:				
Balance, beginning	\$ 195,350	\$ -	\$ 195,350	\$ 165,187
Cash	10,000	2,000	12,000	66,607
Shares	7,500	1,200	8,700	21,450
Write-off	-	(3,200)	(3,200)	(57,894)
Balance, Ending	212,850	-	212,850	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	\$ 495,286	\$ -	\$ 495,286	\$ 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 1st anniversary of the Exchange approval date; and
- \$10,000 (paid) and 50,000 common shares (issued with a fair value of \$7,500) on the 2nd anniversary of the Exchange approval date (Note 8).

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 1st 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 six months ended September 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	September 30, 2013
Acquisition costs:			
Trego Property	\$ 439,464	\$ -	\$ 439,464
Exploration and evaluation expenditures:			
Trego Property	677,062	26,978	704,040
	\$ 1,116,526	\$ 26,978	\$ 1,143,504

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 September 13, 2013, the Company entered into an Oil & Gas Turnkey Participation and Operating Agreement with Circlestar for the acquisition of a 50% working interest before payout (40% net revenue interest) and a 37.5% working interest after payout (30% net revenue interest) in certain additional wells located on oil and gas properties in Trego County, Kansas. In consideration for the working interest, the Company must pay to Circlestar an amount of US \$331,640. The agreement replaces the non-binding Letter of Intent (“LOI”) with Circlestar entered into on March 28, 2013. Pursuant to the LOI, the Company advanced a due diligence payment in the amount of \$172,410 (US \$168,300) to fund a 3D seismic program on the project, which was included in comprehensive loss for the year ended March 31, 2013 as the Company had not yet obtained the legal right to explore. The closing of the agreement is subject to final acceptance by the Exchange.

During the six months ended September 30, 2013, the Company earned \$5,550 in revenues from oil sales from production on the Trego Property, which is receivable at September 30, 2013 (Note 3).

6. Accounts payables and accrued liabilities

	September 30, 2013	March 31, 2013
Accounts payables	\$ 70,735	\$ 24,782
Accrued liabilities	7,875	24,336
Due to related parties (Note 7)	21,000	-
	\$ 99,314	\$ 49,118

7. Related party transactions

Related party balances:

At September 30, 2013, \$21,000 (March 31, 2013 – \$nil) was due to directors of the Company for management fees and consulting services provided to the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment (Note 6).

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.

	Six month periods ended	
	September 30, 2013	September 30, 2012
Consulting fees	\$ 118,667	\$ 126,000
Rent	21,000	20,891
	\$ 139,667	\$ 146,891

Key management personnel compensation

	Six month periods ended	
	September 30, 2013	September 30, 2012
Consulting	\$ 118,667	\$ 126,000

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2013 there were 22,105,214 issued and fully paid common shares (March 31, 2013 – 22,047,714).

Share issuances for exploration and evaluation assets

During the six months ended September 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). Further, the Company issued 50,000 common shares with a fair value of \$7,500 pursuant to the option agreement for the Xeno Property (Note 4).

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended September 30, 2013 was based on the loss attributable to common shareholders of \$250,604 (2012 - \$189,430) and the weighted average number of common shares outstanding of 22,062,440 (2012 – 16,370,065).

Diluted loss per share did not include the effect of 896,200 stock options or 4,546,201 warrants as the effect would be anti-dilutive.

8. Share capital (cont'd)

Escrow shares

At September 30, 2013, there were 675,000 shares (March 31, 2013 – 1,012,500) in escrow which will be released over the next 8 months.

Stock options

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

	September 30, 2013	
	Number of options	Weighted average exercise price
Options outstanding, beginning	1,134,100	\$ 0.21
Options granted	-	-
Options expired	(237,900)	\$ 0.26
Options outstanding, ending	896,200	\$ 0.20

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

Exercise price	Remaining contractual life	Number of options
\$0.10	1.91 years	360,000
\$0.26	2.59 years	536,200
		896,200

At September 30, 2013, the weighted average remaining contractual life of options outstanding was 2.32 years.

Warrants

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

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

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

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding
\$ 0.39	0.09 years	4,546,201

8. Share capital (cont'd)

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. On November 3, 2013, the 4,546,201 share purchase warrants expired (Note 8).
- b. On November 3, 2013, 337,500 shares were released from escrow.