ECHELON PETROLEUM CORP.
(formerly Rara Terra Minerals Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the Years ended March 31, 2014 and 2013

Management's discussion and analysis ("MD&A) is prepared as of July 29, 2014 and provides a review of the performance of Echelon Petroleum Corp. ("Echelon" or the "Company") and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2014 and related notes included therein which are prepared in accordance with International Financial Reporting Standards. This report contains discussion and analysis, which includes forward-looking statements that may differ materially from actual results achieved. All of the financial data herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all figures are stated in Canadian dollars. Additional information on the Company is available on the SEDAR website at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this document constitute "forward looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by law.

1.1 Date of Report: July 29, 2014

1.2 Overall Performance

Nature of Business and Overall Performance

The Company was originally incorporated as Rara Terra Capital Corp. under the Business Corporations Act (British Columbia) on December 17, 2009. On August 27, 2010 the Company completed its initial public offering of 400,000 common shares in the capital of the Company (each, a "Share") at a price of $0.75 per Share for gross proceeds of $300,000. The Shares were concurrently listed on the TSX Venture Exchange (the "Exchange") and the Company was classified as a Capital Pool Company as defined in Exchange Policy 2.4.

The head office and principal address is located at 1030 West Georgia Street, Suite 1012, Vancouver, British Columbia, Canada, V6E 2Y3. The records and registered office is located at 885 West Georgia Street Suite 800, Vancouver, British Columbia, V6C 3H1.

On November 29, 2010 the Company signed a letter of intent (the "LOI") with American Manganese Inc. (TSX-V: AMY) ("American Manganese") to acquire up to 60% of the right, title and interest of American Manganese in the Lonnie property (the "Lonnie Property"), a niobium and rare earth property located in the Omineca Mining Division of British Columbia, which was intended to constitute the Company's Qualifying Transaction as defined in Exchange Policy 2.4. The Lonnie Property consists of 8 mineral claims, totalling 1605 hectares, and is located on Granite Creek, south east of Manson Creek in North Central British Columbia, approximately three hours drive north of Fort St. James. Pursuant to the terms of the LOI, as consideration for the acquisition of the interest in the Lonnie Property, Rara Terra agreed to pay American Manganese cash payments totaling $60,000 and to issue to American Manganese 38,000 Shares over the three year term of an option agreement to be entered into between the Company and American Manganese (the "Lonnie Definitive Agreement"). Rara Terra also committed to incur exploration expenditures totaling $500,000 over the three year term of the Lonnie Definitive Agreement.

The Lonnie Definitive Agreement was entered into effective January 31, 2011 and the Company received the final approval for the Qualifying Transaction on May 3, 2011. In connection with the completion of the Qualifying Transaction, the Company changed its name to Rara Terra Minerals Corp. In connection with the closing of the Qualifying Transaction, the Company completed a brokered and non-brokered private placement financing for total gross proceeds of $2,313,170 whereby the Company issued 1,105,467 non-flow-through units and 106,853 flow-through units. The non-flow-through units were priced at $1.875 per unit, with each unit consisting of one Share and one half of one Share purchase warrant. The flow-through units were priced at $2.25 per unit, with each unit consisting of one Share, issued on a flow-through basis, and one half of one non-flow through Share purchase warrant. Each whole warrant was exercisable into one Share at a price of $2.925 per Share until November 3, 2012. On September 10, 2012 the TSX-V approved the Company's application for a one year extension to the 606,160 share purchase warrants issued pursuant to the May 3, 2011 private placement. The warrants expired on November 3, 2013.

On January 31, 2011, the Company entered into an option agreement to acquire a 60% interest in certain mining claims referred to as the Lonnie Property in British Columbia, Canada 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:
   - 10,000 on or before May 5, 2011 (issued);
   - 10,000 on or before May 5, 2012 (issued);
   - 10,000 on or before May 5, 2013; and
   - 8,000 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 1,000 shares (issued) on the Acceptance Date;
- Cash payments of $2,000 (paid) and issuance of 1,000 shares (issued) on May 5, 2012;
- Cash payments of $2,000 (paid) and issuance of 1,000 shares (issued); on May 5, 2013; and
- Issuance of 1,000 shares on May 5, 2014.

On April 20, 2011, the Company staked an additional 875 hectares of property adjacent to the Lonnie Property.

On June 9, 2011, the Company entered into an option agreement to acquire a 100% interest in eight claims comprising approximately 2,940 hectares in the Xeno property in northern British Columbia for the following consideration:

i) $14,500 upon signing of the agreement (paid);
ii) $12,500 and 10,000 Shares upon approval of the Exchange (paid and issued);
iii) $10,000 and 6,667 Shares on the 1st anniversary of the Exchange approval date (paid and issued): and
iv) $10,000 and 6,667 Shares on the 2nd anniversary of the Exchange approval date. (paid and issued)

The property is subject to a 0.5% Net Smelter Royalty ("NSR") which can be repurchased by the Company for $250,000.

On June 9, 2011, the Company also entered into a second option agreement to acquire a 100% interest in 20 claims comprising approximately 4,185 hectares in the Xeno property in northern British Columbia for the following consideration:

i) $28,000 upon signing of the agreement (paid);
ii) $28,000 and 10,000 Shares upon approval of the Exchange (paid and issued); and
iii) $50,000 and 15,333 Shares on the 1st anniversary of the Exchange approval date (paid and issued).

On July 8, 2011 the Company staked an additional 841 hectares of property adjacent to the above referenced Xeno properties.

In fiscal 2012 the Company retained the services of Fugro Airborne Service Corp. to plan and execute an airborne survey of the Xeno property. This geophysical survey was designed to provide electromagnetic, magnetic, and radiometric data of the top 100 meters of the earth's crust enabling the generation of high resolution electromagnetic resistivity, radiometric, and magnetic anomaly maps. Although the planning of the survey program was completed in the fall of 2011, inclement weather prevented the program from being completed in fiscal 2012. Fugro conducted the airborne survey in mid 2012 and completed the program in August 2012. Fugro delivered the survey data to the Company in October 2012 and the Company delivered this data to its consulting geophysicist in December 2012. The Company received the report of the consulting geophysicist in early June 2013.

On September 10, 2012 the TSX-V approved the Company's application for a one year extension to the 606,160 share purchase warrants issued pursuant to the May 3, 2011 private placement. The warrants expired on November 3, 2013.

On November 15, 2012 the Company entered into an Oil & Gas Turnkey Participation and Operating Agreement ("OGA") with Circle Star Energy Corp. ("Circle Star"), wherein for consideration of US$393,750 to be paid by the Company to Circle Star, Circle Star would sell 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 on approximately 160 acres in Trego County, Kansas. Circle Star is engaged in the oil and gas exploration and production industry, and identified the oil and gas exploration and development prospect located in Trego County, Kansas, as being a favorable prospect for development. In December 2012, the Company made payments totaling $395,026 (US$393,750) to Circle Star with respect to the drilling and completion of the first Trego County property well prospect triggering the acquisition of the working interest and net revenue interest referred to above. 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. The Company, following approval from the TSX-V, issued 370,313 common shares with a fair value of $44,437 pursuant to a finders fee agreement and the finder having identified and assisted in the negotiation of the OGA.

In January, 2013, the Company paid $205,249 (US$206,387) and in February 2013 paid an additional $145,115 (US$143,614) to Circlestar to fund the Company's proportionate share of the drilling and completion costs of a second well on the Trego County, Kansas property. In March 2013, the Company paid $130,274 (US$125,853) to fund the Company's proportionate share of the hydraulic fracturing of the first and second wells on the Trego County, Kansas property and a further $183,932 (US$179,072) to fund its proportionate share of the costs of a lateral drilling program off of each of the first and second Trego wells.

In February, 2013 the Company incorporated 0960128 B.C. LTD., as a wholly owned British Columbia subsidiary, and intends to incorporate a Kansas subsidiary, to be wholly owned by 0960128 B.C. LTD. The Company intends to assign all or a portion of its interest in the OGA to the Kansas subsidiary.

In March, 2013 the Company closed a non-brokered private placement raising $767,250 by way of issuing 682,000 Shares at a price of $1.125 per Share. No warrants were issued nor was any finders fee incurred in connection with the private placement.

On March 29, 2013 the Company entered into a letter of intent (the "TCLOI") with Circle Star for the proposed acquisition by the Company of a working interest in certain oil and gas well drilling prospects located on approximately 1,360 acres in Trego County, Kansas, USA (the "Project"). The extent of the participating interest in the Project to be acquired by Echelon and the purchase price remained subject to due diligence and negotiation. Pursuant to the TCLOI, the Company paid a non-refundable due diligence payment in the amount of $172,410 (US$168,300), to be used to fund a 3D seismic program on the Project. The 3D seismic program was completed during in the quarter ended June 30, 2013. The Company retained the services of an independent petroleum industry consulting firm to review the results of the 3D seismic program. The data was delivered to the consulting firm and they have presented their analysis to the Company. Echelon reviewed the consultant's analysis and agreed with the consulting firms conclusion that there were a number of potential drilling targets within the 1,360 acre Trego property of sufficient merit to proceed to negotiate a definitive agreement with Circle Star.

In conjunction with the above referenced 3D seismic program the Company paid an additional $20,283 (US$19,800) to fund a 3D seismic survey of the original 160 acre Trego property referred to above. Based upon the analysis by the independent petroleum industry consulting firm of the resulting data the Company agreed with the conclusion of the consulting firm that there were no potential additional drilling targets of sufficient merit to warrant conducting additional exploration of the 160 acre Trego property.

In April, 2013 the Company terminated the above described Lonnie Definitive Agreement. During the year ended March 31, 2013, the Company recorded an impairment loss of $226,401 to write off the Lonnie Property. During the year ended March 31, 2014, the Company recorded an impairment loss of $3,200 to write off additional costs for the Lonnie Property.

In May 2013, a further 337,500 Shares were released from escrow.

In April and May, 2013 the Company staked an additional 958 hectares of property adjacent to the above referenced Xeno Properties.

In July 2013, the Company paid $10,000 and issued 6,667 shares pursuant to the above referenced Xeno Property acquisition.

On August 28, 2013, Circle Star sold, assigned and transferred to the Company a 75% interest in Circle Star's rights, title and interest in the above referenced OGA (executed between Circle Star and the Company on November 12, 2012), including, Circle Star's property and rights thereto as they are entitled pursuant to the terms of the Lynd Family Trust 36 Lease; Circle Star's undivided interests in the personal property and tangible assets involved in the production of the hydrocarbons produced therefrom; and to the hydrocarbons produced and sold from the property described in the OGA. The effective date of the transaction is January 28, 2013 and it is subject to the terms of the OGA, the terms and conditions of the Lynd Family Trust 36 Lease, and the terms and conditions of the recorded assignments of overriding royalties recorded in the records of Trego County, Kansas.

On September 13, 2013 the Company entered into a second Oil & Gas Turnkey Participation and Operating Agreement (the "OGA2") with Circle Star Energy Corp. ("Circle Star"), whereby the Company proposes to acquire a 50% working interest before payout (40% net revenue interest) and a 37.5% working interest after payout (30% net revenue interest) in certain oil and gas project wells to be located within an oil and gas prospect referred to as the Lynd Family Trust 1360 prospect (the "Prospect") which is situated on approximately 1,360 acres in Trego County, Kansas (the "Transaction"). Under the Agreement, the Company is required to contribute its pro-rata share of the turnkey payment with respect to the initial well, and for additional wells, if any. The Company's share of the turnkey payment for the initial well is expected to be US$331,640. Also, the Company has been granted the right of first refusal to participate in the development of new project wells in addition to the initial well on the terms and conditions set out in the Agreement. The Agreement replaces and supersedes the TCLOI dated March 29, 2013 for this transaction. The Company has agreed to pay a finder's fee consisting of the issuance of 22,107 common shares of the Company (the "Finder's Fee Shares") at a deemed price of $1.125 per Finder's Fee Share in connection with the closing of the Transaction. The Finder's Fee Shares are expected to be subject to a hold period that will expire four months and one day after the date of issuance of the Finder's Fee Shares.

1.3 Selected Annual Information

	For the Year ended March 31, 2014	For the Year ended March 31, 2013	For the Year ended March 31, 2012
Total revenues	$ 1,371	$0	$0
Loss before other items	(473,628)	(666,784)	(805,628)
Comprehensive loss	(2,093,059)	(893,185)	(765,581)
Basic and diluted net loss per common share	(0.71)	(0.43)	(0.37)
Current assets	29,161	296,994	1,454,819
Exploration and evaluation assets	-	1,577,723	457,750
Total assets	29,161	1,874,717	1,912,569
Current liabilities	287,921	49,118	26,750
Share capital & share based payment reserve	3,794,676	3,785,976	2,872,974
Deficit	(4,053,436)	(1,960,377)	(987,155)
Dividends	n/a	n/a	n/a

The decrease in total assets to $29,161 in 2014 from $1,874,717 in 2013 was primarily a result of the impairment of mineral exploration and evaluation assets and oil and gas exploration and evaluation assets. Current assets decreased to $29,161 in 2014 from $296,994 primarily due to use of cash for administrative expenses. There were no financing activities during 2014.

The financial data for the years ended March 31, 2013 and March 31, 2012 have been prepared in accordance with International Financial Reporting Standards. All figures are stated in Canadian dollars.

1.4 Results of Operations

The Company has not yet generated revenue to date and has reported net losses since inception. Comprehensive loss during the year ended March 31, 2014 was $2,093,059 (March 31, 2013: $893,185). The costs incurred in the net loss in the year ended March 31, 2014 primarily included two amounts being Consulting and management fees of $320,667 (2013: $306,750) and Property exploration costs of $nil (2013: $212,699). These, and other amounts associated with business development initiatives, investor relations programs, and the administration of the Company's business, are more fully described in the section of this report that follows.

Comprehensive Loss, Administrative, Exploration and General Expenses

The following expenses were incurred in the years ended March 31, 2014 and 2013:

Expenses	**For the year ended March 31, 2014**	**For the year ended March 31, 2013**
Consulting and management fees	$320,667	$306,750
General and administrative	21,805	5,133
Investor relations	5,375	23,884
Professional fees	48,367	39,577
Property investigation costs	-	212,699
Rent	42,000	41,891
Transfer agent and filing fees	20,196	9,871
Travel and promotion	15,218	26,979
Loss before other items	473,628	666,784
Other items	1,620,802	226,401
Comprehensive loss	$2,093,059	$893,185

More specifically, the increase in Comprehensive loss incurred during the year ended March 31, 2014 compared to that incurred during the comparable period in 2013 was largely a result of the following:

- Consulting and management fees increased to $320,667 in 2013 from $306,750 in 2013 due to a small increase in the compensation to its directors and officers for the services that they provided in executing the Company's business plan and the cost of retaining the services of a strategic advisor.

- The decrease in investor relations expenditures to $5,375 in 2014 from $23,884 in 2013 as a result of the Company terminating the contract with the investor relations company that it had previously retained.

- Professional fees increased to $48,367 in 2014 from $39,577 in 2013 as a result of the Company retaining its United States based legal advisors and for Canadian tax related projects carried out by Canadian chartered accounting firm.

- Property investigation costs declined to $nil in 2014 from $212,699 in 2013 as a result of the Company primarily focusing on opportunities that were being advanced by its strategic advisor and not undertaking new activities related to its Xeno mineral property.

- Transfer agent and filing fees increased to $20,196 in 2014 from $9,871 in 2013 as a result of the additional filings.

- Travel and promotion decreased to $15,219 in 2014 from $26,979 in 2013 primarily as a as the Company ceased participating in media programs nor attending industry conferences in order to conserve the cash resources of the Company.

- Subsequent to the March 31, 2013 year end the Company delivered notice to American Manganese that the Company was terminating its option to acquire a 60% interest in the Lonnie mineral property. As a result, the Company derecognized its accumulated investment of $226,401 in the property in the March 31, 2013 audited financial statements.

Dividend Report & Policy

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters. The financial data has, except as referred to in the footnotes to this summary, been prepared in accordance with International Financial Reporting Standards and all figures are stated in Canadian dollars.

For the Quarterly Periods ended:		March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Total Revenues	$	(2,681)	(1,202)	(6,746)	12,000
Loss before other items	$	(120,576)	(104,437)	(120,271)	(127,132)
Net and comprehensive loss for the period	$	(1,738,019)	(104,437)	(120,271)	(130,332)
Loss per share, basic and diluted	$	(0.59)	(0.04)	(0.04)	(0.04)

For the Quarterly Periods ended:		March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Total Revenues	$	Nil	Nil	Nil	Nil
Loss before other items	$	(357,261)	(119,779)	(97,832)	(91,912)
Net and comprehensive loss for the period	$	(583,976)	(119,779)	(97,832)	(91,598)
Loss per share, basic and diluted	$	(2.00)	(0.05)	(0.04)	(0.04)

1.6 Liquidity

The Company has total assets of $29,161 (March 31, 2013: $296,994). The primary assets of the Company are cash of $28,909 (March 31, 2013: $271,331), and its investment in oil and gas exploration and evaluation assets in the amount of $nil (March 31, 2013: $1,577,723). The Company has negative working capital, ($258,760) (March 31, 2013: $247,876). Subsequent to the year end, directors of the Company cancelled their accrued fees, which totalled $189,788 as at March 31, 2014 and released the Company of the liabilities. The Company does not have sufficient cash to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, raise further capital, and to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest in one or more mineral or oil and gas properties.

As at March 31, 2014, the Company did not have any contractual obligations.

1.7 Capital Resources

At March 31, 2014, the Company had not yet achieved profitable operations, had accumulated a deficit of $4,053,436 (March 31, 2013: $1,960,377 and had negative working capital of ($258,760) (March 31, 2013: $247,876). The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, raise further capital, and to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest in one or more mineral or oil and gas properties.

The capital resources of the Company are primarily its cash of $28,909 (March 31, 2013: $271,331). The Company does not currently have any capital commitments.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

The following cash and accrued payments were made to related parties:

		For the year ended March 31, 2014	For the year ended March 31, 2013
Consulting Fees			
	Koko Financial Ltd. Note 1	$ -	$65,000
	R. Flowerdew Note 2	89,500	70,000
	9082 Investments Inc. Note 3	59,667	60,000
	J. Veltheer Note 4	89,500	78,000
		238,667	273,000
Rent			
	Network Explorations Ltd. Note 5	42,000	41,891
		$ 280,667	$314,891

Note 1. Koko Financial Ltd. is a company owned by Fraser Atkinson, formerly a director of the Company. Mr. Atkinson resigned from the Company's Board of Directors in January 2013.

Note 2. Mr Flowerdew is the CFO and Corporate Secretary and a director of the Company

Note 3. 9082 Investments Inc. is a company owned by Alex Helmel, the President, CEO and a director of the Company

Note 4. Dr. Veltheer is a director of the Company.

Note 5. Network Exploration Ltd. is a company managed by Alex Helmel, the President, CEO and a director of the Company

1.10 Fourth Quarter

Save as disclosed herein, there were no extraordinary items, quarter end or other adjustments or dispositions in the Company's fourth quarter ending March 31, 2014 that had a material effect on the Company's financial condition, cash flow or results of operations.

1.11 Proposed Transactions

Not applicable.

1.12 Critical Accounting Estimates

Save as disclosed in the Company's annual audited financial statements for the years ended March 31, 2014 and 2013 (as are filed and reviewable on SEDAR (www.sedar.com)) the Company has no other critical accounting estimates.

1.13 Changes in Accounting Policies

There are no accounting policies that the Company has adopted, other than what was disclosed in the annual audited March 31, 2014 financial statements.

1.14 Financial Instruments and Other Instruments

Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in a bank account. The cash is deposited in a bank account held with a major bank in Canada. As the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has 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 share.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

The Company's non-derivative financial liabilities at March 31, 2014, which include accounts payable, are due within one year.

	Within one year	Between one and five years	More than five years
Accounts payable	$ 91,133	$ -	$ -

Subsequent to the year end, directors of the Company cancelled their accrued fees, which totalled $189,788 as at March 31, 2014 and released the Company of the liabilities.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollars while the functional currency is the Canadian dollar.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in United States dollars:

	March 31, 2014	**March 31, 2013**
Accounts payable	$ 37,231	$ 2,429

Based on the above net exposures, as at March 31, 2014, a 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by $3,723.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash on hand is subject to minimal interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2014	**March 31, 2013**
Cash	$ 28,909	$ 271,331

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2014	**March 31, 2013**
Non-derivative financial liabilities:		
Accounts payable	$ 91,133	$ 24,782

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial instruments classified as level 1 – quoted prices in active markets include cash.

1.15 Disclosure of Outstanding Share Data

Authorized: Unlimited common shares without par value

Issued - As of the date of this MD&A the following Shares, incentive stock options and warrants were outstanding.

Common Shares – 2,947,362

Incentive Stock Options – Nil

Warrants – Nil

1.16 Subsequent Events

Subsequent to March 31, 2014 and to the date of this report the Company;

a) Effective June 2, 2014, the Company consolidated its common shares on a 7.5:1 basis;
b) On May 26, 2014, the Company entered into cancellation and release agreements with four former directors of the Company, which cancelled debts totaling $182,500. As at March 31, 2014, $138,600 is included in accounts payable and accrued liabilities relating to these directors;
c) On May 26, 2014, the Company entered into a cancellation and release agreement with a company controlled by a director the Company, which cancelled a debt of $63,750. As at March 31, 2014, $51,188 is included in accounts payable and accrued liabilities relating to this company;
d) On May 26, 2014, 104,160 stock options were cancelled as a result of director resignations; and

e) On May 5, 2014, the remaining 45,000 escrow shares were released.

1.17 Other Information and Board Approval

Additional information about the Company is available on SEDAR at www.sedar.com. This MD&A has been reviewed and approved by the Board of Directors of the Company.