

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Six and Three Months ended September 30, 2014 and 2013

Management's discussion and analysis ("MD&A") is prepared as of November 27, 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 unaudited condensed consolidated interim financial statements for the six months ended September 30, 2014 and 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](http://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.

**Date of Report:** November 27, 2014

**Overall Performance**

**Nature of Business and Overall Performance**

The Company is engaged in the business of locating, acquiring and developing interests in oil and gas and mineral properties. The Company was incorporated under the Business Corporations Act (British Columbia) on December 17, 2009 and was listed on the TSX Venture Exchange (the "Exchange") as a capital pool company in August 2010. The Company has one subsidiary, 0960128 B.C. Ltd.

During the period ended September 30, 2014 certain former and current directors, officers and consultants of the Company and their affiliates agreed to forgive a total of \$246,250 of accrued management and consulting fees and voluntarily terminate their stock options, and former management of the Company resigned. Following these transactions new management has been primarily engaged reorganizing its affairs and evaluating options for financing ongoing operations.

During the period ended September 30, 2014 Company assigned its interests in the Lynd #1 and Lynd #2 wells to Circle Star Energy Corp. in exchange for forgiveness of all monies due on account of the wells and

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an indemnification from any future liabilities relating to the wells. The Company maintains its interest in the Oil & Gas Turnkey Participation and Operating Agreement, as well as its interest in the 29 Xeno mineral claims comprising approximately 15,000 ha located in the Liard Mining Division in Northern British Columbia.

The Company is current evaluating options for financing ongoing operations.

The head office and principal address is located at 1030 West Georgia Street, Suite 1012, Vancouver, British Columbia, Canada, V6E 2Y3.

**Selected Financial Information**

	<b>For the six month period ended <u>September 30, 2014</u></b>	<b>For the six month period ended <u>September 30, 2013</u></b>
Total revenues	\$ -	\$ 5,254
Comprehensive income (loss)	185,845	(250,604)
Basic and diluted net loss per common share	(0.06)	-0.01
Current assets	2,448	44,515
Mineral exploration and evaluation assets	-	495,286
Oil & gas exploration and evaluation assets	-	1,143,504
Total assets	2,448	1,683,305
Current liabilities	75,363	99,610
Share capital & contributed surplus	3,794,676	3,794,676
Deficit	(3,867,591)	(2,210,981)

**Results of Operations**

**Six months ended September 30, 2014**

The Company has not yet generated revenue to date and has reported net losses since inception. Comprehensive income during the six months ended September 30, 2014 was \$185,845 (September 30, 2013: \$(250,604)). During the six months ended September 30, 2014, the directors of the Company cancelled their accrued fees and payables (\$246,250), others (\$7,770) which totalled \$254,020 and released the Company of the liabilities. The cancellations were recorded as settlements in the statement of operations. Total (recoveries) expenses were (\$185,845) (2013 - \$255,858). Expenses were significantly lower in the current period primarily the result of less activities and the recognition of the settlements.

**Three months ended September 30, 2014**

The net recovery (loss) was \$413 for the three months ended September 30, 2014, (September 30, 2013 - \$120,271). The primary expense in the current period was transfer agent and filing fees of \$5,628 compared to \$3,141 in 2013. The company ceased its former operations in the current period.

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The following expenses were incurred in the three and six months ended September 30, 2014 and 2013:

	Notes	Three month periods ended		Six month periods ended	
		September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>Revenues</b>					
Oil sales, net		\$ -	\$ (6,746)	\$ -	\$ 5,254
<b>Expenses</b>					
Consulting and management fees	6	-	73,667	46,312	155,667
General and administrative		(280)	4,946	90	10,907
Investor relations		-	1,000	-	4,875
Professional fees		-	20,272	-	30,993
Impairment of exploration and evaluation assets		-	-	-	3,200
Rent	6	-	10,500	10,150	21,000
Transfer agent and filing fees		5,628	3,141	11,623	13,998
Travel and promotion		-	-	-	15,218
Settlements		(5,761)	-	(254,020)	
		413	(113,526)	185,845	(255,858)
<b>Net income (loss) for the period</b>		\$ 413	\$ (120,271)	\$ 185,845	\$ (250,604)
<b>Income (loss) per share – basic and diluted</b>	7	\$ (0.00)	\$ (0.01)	\$ (0.06)	\$ (0.01)

### 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.

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For the Quarterly Periods ended:		September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Total Revenues	\$	-	-	(2,681)	(1,202)
Net and comprehensive income (loss) for the period	\$	413	185,312	(1,738,019)	(104,437)
Loss per share, basic and diluted	\$	(0.00)	(0.06)	(0.59)	(0.04)

For the Quarterly Periods ended:		September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Total Revenues	\$	(6,746)	12,000	Nil	Nil
Net and comprehensive loss for the period	\$	(120,271)	(130,332)	(583,976)	(119,779)
Loss per share, basic and diluted	\$	(0.04)	(0.04)	(2.00)	(0.05)

## Liquidity

The Company has total assets of \$2,448 (March 31, 2014 - \$29,161). The primary assets of the Company are cash of \$2,448 (March 31, 2014 - \$28,909). The Company has negative working capital, (\$72,915) (March 31, 2014 - \$258,760). 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 September 30, 2014, the Company did not have any contractual obligations.

## Capital Resources

At September 30, 2014, the Company had not yet achieved profitable operations, had accumulated a deficit of \$3,867,591 (March 31, 2014 - \$4,053,436 and had negative working capital of (\$72,915) (March 31, 2014: \$258,760). 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 \$2,448 (March 31, 2014: \$28,909). The Company does not currently have any capital commitments.

### Off Balance Sheet Arrangements

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

### Transactions with Related Parties

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

	For the six months ended September 30, 2014	For the six months ended September 30, 2013
Consulting Fees		
R. Flowerdew <sup>Note 1</sup>	12,656	44,500
9082 Investments Inc. <sup>Note 2</sup>	12,656	29,670
J. Veltheer <sup>Note 3</sup>	8,438	44,500
	<u>33,750</u>	<u>118,667</u>
Rent		
Network Explorations Ltd. <sup>Note 4</sup>	<u>10,150</u>	<u>21,000</u>
	<u>\$43,900</u>	<u>\$21,000</u>

Note 1. Mr Flowerdew is the former CFO, Corporate Secretary and director of the Company

Note 2. 9082 Investments Inc. is a company owned by Alex Helmelt, a former President, CEO and a director of the Company

Note 3. Dr. Veltheer is a director of the Company.

Note 4. Network Exploration Ltd. is a company managed by Alex Helmelt, a former President, CEO and director of the Company

### 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](http://www.sedar.com))) the Company has no other critical accounting estimates.

### 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.

## 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 September 30, 2014, which include accounts payable, are due within one year.

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Accounts payable	\$ 75,363	\$ -	\$ -

### ***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 incurs expenditures and liabilities for its Trego Property in United States dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates. At September 30, 2014, there is no foreign currency exposure because there are no liabilities denominated in foreign currencies. This risk is considered minimal.

### ***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:

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
Cash	\$ 2,448	\$ 28,909

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

	<b>September 30, 2014</b>	<b>March 31, 2014</b>
Non-derivative financial liabilities:		
Accounts payable	\$ 75,363	\$ 287,921

### ***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.

### **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

### **Other Information and Board Approval**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A has been reviewed and approved by the Board of Directors of the Company.