

**ECHELON PETROLEUM CORP.**  
**(Formerly Rara Terra Minerals Corp.)**  
**Condensed Consolidated Interim Financial Statements**  
**Nine and Three Months Ended December 31, 2014 and 2013**

**Expressed in Canadian Dollars**  
**(Unaudited-Prepared by Management)**

#### **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.

Vancouver, Canada

February 27, 2015

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

	Notes	December 31, 2014	March 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,061	\$ 28,909
Prepaid expenses		-	252
<b>TOTAL ASSETS</b>		<b>\$ 1,061</b>	<b>\$ 29,161</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	5	\$ 82,127	\$287,921
<b>TOTAL LIABILITIES</b>		<b>82,127</b>	<b>287,921</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	3,451,518	3,451,518
Share- based payment reserve	7	343,158	343,158
Deficit		(3,875,742)	(4,053,436)
<b>TOTAL EQUITY</b>		<b>(81,066)</b>	<b>(258,760)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,061</b>	<b>\$ 29,161</b>

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

	Notes	Three month periods ended		Nine month periods ended	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Revenues</b>					
Oil sales, net		\$ -	\$ (1,202)	\$ -	\$ (4,052)
<b>Expenses</b>					
Consulting and management fees	6	-	82,500	46,312	238,167
General and administrative		4,848	5,003	4,939	15,910
Investor relations		-	500	-	5,375
Professional fees		1,620	6,745	1,620	37,737
Impairment of exploration and evaluation assets		-	-	-	3,200
Rent	6	-	10,500	10,150	31,500
Transfer agent and filing fees		1,682	301	13,305	14,299
Travel and promotion		-	-	-	15,218
Settlements		-	-	(254,020)	
		(8,150)	(105,549)	177,694	(361,406)
<b>Net income (loss) for the period</b>		\$ (8,150)	\$ (104,437)	\$ 177,694	\$ (357,354)
<b>Income (loss) per share – basic and diluted</b>	7	\$ (0.00)	\$ (0.00)	\$ 0.06	\$ (0.00)

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

		Share capital				
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	Total
<b>Balance at April 1, 2014</b>		<b>2,947,362</b>	<b>\$ 3,451,518</b>	<b>\$ 343,158</b>	<b>\$ (4,053,436)</b>	<b>\$ (258,760)</b>
Comprehensive income:						
Income for the period		-	-	-	177,694	177,694
<b>Balance at December 31, 2014</b>		<b>2,947,362</b>	<b>\$ 3,451,518</b>	<b>\$ 343,158</b>	<b>\$ (3,875,742)</b>	<b>\$ (81,066)</b>
<b>Balance at April 1, 2013</b>		<b>2,939,695</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		-	-	-	(357,354)	(357,354)
Shares issued to acquire exploration and evaluation asset	7	7,667	8,700	-	-	8,700
<b>Balance at December 31, 2013</b>		<b>2,947,362</b>	<b>\$ 3,451,518</b>	<b>\$ 343,158</b>	<b>\$ (2,317,731)</b>	<b>\$ 1,476,945</b>

See accompanying notes to the consolidated financial statements

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

	Nine month periods ended	
	December 31, 2014	December 31, 2013
<b>Operating activities</b>		
Net income (loss)	\$ (177,694)	\$ (357,354)
Adjustments for non-cash items:		
Impairment of exploration and evaluation assets	-	3,200
Changes in non-cash working capital items:		
Receivables	-	17,163
Prepaid expenses	252	194
Accounts payables and accrued liabilities	(205,794)	130,905
<b>Net cash flows used in operating activities</b>	<b>(27,848)</b>	<b>(205,892)</b>
<b>Investing activities</b>		
Mineral exploration and evaluation expenditures	-	(28,589)
Oil and gas exploration and evaluation expenditures	-	(30,489)
<b>Net cash flows used in investing activities</b>		<b>(59,078)</b>
Decrease in cash	(27,848)	(264,970)
Cash, beginning	28,909	271,331
<b>Cash, ending</b>	<b>\$ 1,061</b>	<b>\$ 6,361</b>
<b>Non-cash transaction:</b>		
Fair value of shares issued for acquisition of exploration and evaluation assets	\$ -	\$ 8,700

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 in May 2011 completed its Qualifying Transaction 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 business of exploring resource properties.

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

These condensed consolidated interim 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 December 31, 2014 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 condensed consolidated interim financial statements were authorized for issue on February 27, 2015 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, 2014. 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, 2014.

***Basis of preparation***

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

	Country of incorporation	Percentage owned*	
		December 31, 2014	March 31, 2014
0960128 B.C. LTD.	Canada	100%	100%

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

During the nine months ended December 31, 2014, 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 financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment applied in preparing the Company's financial statements is the assessment of the Company's ability to continue as a going concern.



Echelon Petroleum Corp.  
(formerly Rara Terra Minerals Corp.)  
Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars, Unaudited)  
For the Nine Months ended December 31, 2014 and 2013

**3. Mineral exploration and evaluation assets**

	Total for period ended December 31, 2014	Total for year ended March 31, 2014
Acquisition costs:		
Balance, beginning	\$ -	\$ 195,350
Cash	-	12,000
Shares	-	8,700
Write-off	-	(216,050)
Balance, Ending	-	-
Exploration and evaluation expenditures:		
Balance, beginning	-	265,847
Geophysical survey	-	15,600
Staking	-	989
Tax credit	-	(24,699)
Write-off	-	(257,737)
Balance, ending	-	-
Total	\$ -	\$ -

The Company maintains its interest in the 29 Xeno mineral claims comprising approximately 15,000 ha located in the Liard Mining Division in Northern British Columbia.

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

	March 31, 2014	Additions	December 31, 2014
Acquisition costs:			
Balance, beginning	\$ 439,464	\$ -	\$ -
Additions	-	-	-
Impairment	(439,464)	-	-
	\$ -	\$ -	\$ -

On September 2014 the 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 an indemnification from any future liabilities relating to the wells. The Company maintains its interest in the Oil & Gas Turnkey Participation and Operating Agreement.

**5. Accounts payables and accrued liabilities**

	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Accounts payables	\$ 82,127	\$ 91,133
Accrued liabilities	-	196,788
	<b>\$ 82,127</b>	<b>\$ 287,921</b>

**6. Related party transactions**

***Related party balances:***

The following amounts are due to related parties and included in accounts payable and accrued liabilities (Note 5):

	<b>December 31, 2014</b>	<b>March 31, 2014</b>
Directors of the Company	\$ 6,088	\$ 138,600

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. 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.

	<b>Nine month periods ended</b>	
	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Consulting fees	\$ 33,750	\$ 178,667
Rent	10,150	31,500
	<b>\$ 43,800</b>	<b>\$ 210,167</b>

***Key management personnel compensation***

	<b>Nine month periods ended</b>	
	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Consulting	\$ 33,750	\$ 118,667
General and administrative	4,500	-

**7. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Share consolidation***

Effective June 2, 2014, the Company consolidated its shares on a 7.5:1 basis. All share and per share numbers disclosed reflect post-consolidation amounts.

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

***Issued share capital***

At December 31, 2014 and 2013 there were 2,947,362 issued and fully paid common shares.

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

During the nine months ended December 31, 2014, the Company issued nil common shares (2013 – 7,667) common shares with a fair value of \$8,750 as finders' fees for the Lonnie Property.

***Escrow shares***

At December 31, 2014, there were nil shares (March 31, 2014 – 45,000) in escrow.

***Stock options***

The changes in options during the nine month period ended December 31, 2014 are as follows:

	<b>December 31, 2014</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning of period	104,160	\$ 1.40
Options granted	-	-
Options cancelled	(104,160)	(1.40)
Options outstanding, end of period	-	\$ -