

ECHELON PETROLEUM CORP.
Condensed Consolidated Interim Financial Statements
Three Months Ended June 30, 2015

Expressed in Canadian Dollars

Echelon Petroleum Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

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 condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated interim 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 condensed consolidated interim 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 24, 2016

Echelon Petroleum Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	June 30, 2015	March 31, 2015
ASSETS			
Current assets			
Cash		\$ 1,061	\$ 1,061
GST receivable		1,453	807
TOTAL ASSETS		2,514	\$ 1,868
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	5,7	153,749	\$ 136,000
TOTAL LIABILITIES		153,749	136,000
SHAREHOLDERS' EQUITY			
Share capital	6	3,451,518	3,451,518
Share- based payment reserve	6	343,158	343,158
Deficit		(3,945,910)	(3,928,808)
TOTAL EQUITY		(151,234)	(134,132)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,514	\$ 1,868

Going concern (Note 1)

On behalf of the board:

"Eric Boehnke"
Eric Boehnke, Director

"John Legg"
John Legg, Director

Echelon Petroleum Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Years ended	
		June 30, 2015	June 30, 2014
Expenses			
Consulting and management fees	5	7,954	46,312
General and administrative		1,500	491
Rent	5	-	10,150
Transfer agent and filing fees		1,069	5,994
Travel and promotion		6,579	-
		(17,102)	(62,947)
Other items			
Settlements		-	248,259
Net and comprehensive income (loss)		\$ (17,102)	\$ 185,312
Earnings (loss) per share – basic and diluted	8	\$ (0.03)	\$ 0.35

Echelon Petroleum Corp.
Condensed Consolidated interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share capital					Total
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	
Balance at March 31, 2014		535,884	\$ 3,451,518	\$ 343,158	(4,053,436)	(258,760)
Comprehensive income		-	-	-	185,312	185,312
Balance at June 30, 2014		535,884	3,451,518	343,158	(3,868,124)	(73,448)
Balance at March 31, 2015		535,884	\$ 3,451,518	\$ 343,158	\$ (3,928,808)	\$ (134,132)
Comprehensive income		-	-	-	(17,102)	(17,102)
Balance at June 30, 2015		535,884	\$ 3,451,518	\$ 343,158	\$ (3,945,910)	\$ (151,234)

See accompanying notes to the consolidated financial statements

Echelon Petroleum Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

	Three month periods ended	
	June 30, 2015	June 30, 2014
Operating activities		
Net income (loss)	\$ (17,102)	\$ 185,312
Changes in non-cash working capital items:		
GST receivable	(646)	252
Accounts payables and accrued liabilities	17,748	(209,424)
Net cash flows used in operating activities	-	(23,860)
Decrease in cash	-	(23,860)
Cash, beginning	1,061	28,909
Cash, ending	\$ 1,061	\$ 5,049

1. Nature and continuance of operations

Echelon Petroleum Corp. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on December 17, 2009. The Company’s shares are listed on the TSX Venture Exchange (“Exchange”). 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. 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, loans from related parties and/or the private placement of common shares.

2. Significant accounting policies and basis of preparation

The condensed consolidated interim financial statements were authorized for issue on February 24, 2016 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

The condensed consolidated interim financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

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

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*	
		June 30, 2014	June 30, 2013
0960128 B.C. LTD.	Canada	100%	100%

*Percentage of voting power is in proportion to ownership.

During the years ended June 30, 2015 and 2014, the Company’s subsidiary, 0960128 BC LTD, was inactive.

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

Significant estimates and assumptions

The preparation of the Company's condensed consolidated interim 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 fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of condensed consolidated interim 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.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

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

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company with significant financial assets is managed by key management personnel on a fair value basis in accordance with a risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. Accounting standards issued but not yet effective

The IASB or IFRIC have issued pronouncements effective for accounting periods beginning on or after April 1, 2015. Only those that may significantly impact the Company are discussed below:

IFRS 9 Financial Instruments

IFRS 9 contains accounting requirements for financial instruments and replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.

3. Accounting standards issued but not yet effective (cont'd)

- Impairment: IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is applicable to annual periods beginning on or after January 1, 2018. The Company has not assessed the impact of this pronouncement.

4. Accounts payables and accrued liabilities

	June 30, 2015	March 31, 2015
Accounts payable and accrued liabilities	\$ 153,749	\$ 136,000
	\$ 153,749	\$ 136,000

5. Related party transactions

Related party balances:

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

	June 30, 2015	March 31, 2015
Directors and officers of the Company	\$ 61,466	\$ 44,837

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

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

	Three months ended	
	June 30, 2015	June 30, 2014
Consulting fees	\$ 7,954	\$ 33,750
Rent	-	10,150
	\$ 7,954	\$ 33,900

5. **Related party transactions (cont'd)**

Key management personnel compensation

	Three months ended	
	June 30, 2015	June 30, 2014
Consulting fees	\$ 7,954	\$ 33,750
Professional	1,500	-
	\$ 9,454	\$ 33,750

6. **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. On March 5, 2015, the Company further consolidated its shares on a 5.5:1 basis. All share and per share numbers disclosed in these financial statements reflect post-consolidation amounts.

Issued share capital

At June 30, 2015 and 2014 there were 535,884 issued and fully paid common shares.

Share issuances for mineral and oil and gas exploration and evaluation assets

During the three months ended June 30, 2015 and 2014, the Company issued nil common shares

7. **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 a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

7. Financial risk and capital management (cont'd)

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.

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:

	June 30, 2015	March 31, 2015
Accounts payable	\$ 29,347	\$ 29,347

Based on the above net exposures, as at June 30, 2015, a 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by \$2,935.

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:

	June 30, 2015	March 31, 2015
Cash	\$ 1,061	\$ 1,061

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

	June 30, 2015	March 31, 2015
Non-derivative financial liabilities:		
Accounts payable	\$ 153,749	\$ 136,000

7. Financial risk and capital management

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.