



FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2003**

**Suite 584 – 885 Dunsmuir Street
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COMPLIANCE ENERGY CORPORATION
 CONSOLIDATED BALANCE SHEETS

	March 31, 2003	December 31, 2002
ASSETS		
Current Assets		
Cash	\$ 190,903	\$ 441,317
Amounts receivable	89,987	136,119
Prepaid expenses	3,019	3,019
	<u>283,909</u>	<u>580,455</u>
Reclamation bonding	65,000	65,000
Resource property	837,186	732,397
Capital assets	641,429	599,749
	<u>\$ 1,827,524</u>	<u>\$ 1,977,601</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 198,224	\$ 321,065
	<u>198,224</u>	<u>321,065</u>
Non-current Liability		
Deferred Gain on Joint Venture Formation	772,471	772,471
SHAREHOLDERS' EQUITY		
Share Capital	948,915	920,665
Obligation to issue shares	-	28,250
Deficit	(92,086)	(64,850)
	<u>856,829</u>	<u>884,065</u>
	<u>\$ 1,827,524</u>	<u>\$ 1,977,601</u>

Interim Financial Statements (Note 1)

Approved by:

"James C. O'Rourke" Director
 James C. O'Rourke

"Rodney A. Shier" Director
 Rodney A. Shier

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	March 31, 2003	March 31, 2002
REVENUES		
Management fees	\$ 10,500	\$ -
Interest Income	-	93
	10,500	93
EXPENSES		
Professional fees	17,500	5,377
General & admin	6,769	1,712
Transfer agent & filing fees	5,404	-
Shareholder communications	8,064	-
Net loss before other item	37,737	7,089
NET LOSS FOR THE PERIOD	27,237	6,996
DEFICIT, BEGINNING OF PERIOD	64,849	29,704
DEFICIT, END OF PERIOD	\$ 92,086	\$ 36,700
LOSS PER SHARE	\$ (0.00)	\$ (0.00)

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	March 31, 2003	March 31, 2002
OPERATING ACTIVITIES		
Net loss for the period	\$ (27,237)	\$ (6,996)
Items not involving cash:		
Net change in non-cash working capital items	(76,708)	2,630
	(103,945)	(4,366)
INVESTING ACTIVITIES		
Purchase of capital assets	(41,680)	
Resource property costs	(104,789)	(35,494)
	(146,469)	(35,494)
FINANCING ACTIVITIES		
Demand loan (repaid)	-	20,000
Shares issued for cash	-	20,000
	-	40,000
INCREASE IN CASH	(250,414)	140
CASH, BEGINNING OF PERIOD	441,317	1,614
CASH, END OF PERIOD	190,903	1,754

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

1. BASIS OF PRESENTATION

These interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”) with respect to the preparation of interim financial information. Accordingly, they do not include all of the information and disclosures required by Canadian GAAP in the preparation of our annual consolidated financial statements. Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Except as disclosed in note 2, the accounting policies used in preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in our annual consolidated financial statements and the notes thereto for the two years ended December 31, 2002.

These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Company’s latest annual report.

2. CONTINUANCE OF OPERATIONS

These interim consolidated financial statements have been prepared on a going concern basis, which assumes the ongoing capacity of the Company to realize on its assets and discharge of liabilities in the normal course of business. The Company’s status as a going concern is dependent on its ability to generate future profitable operations and to receive continued financial support from its lenders and shareholders. Management is of the opinion that sufficient working capital will be obtained from operations and external financing to meet the Company’s liabilities and commitments as they become due. Should the going concern assumption not be appropriate, the carrying values and classifications of assets and liabilities would change and those changes could be material. It is not possible to predict the outcome of those matters at this time.

3. CAPITAL STOCK

- (a) Authorized
1,000,000,000 Common shares without par value
20,000,000 Preferred shares without par value

- (b) Issued

	Common Shares	Amount
Balance at December 31, 2002	16,330,357	\$ 920,665
Shares issued for debt	94,167	28,250
Issued at March 31, 2003	16,424,524	\$ 948,915

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

3. CAPITAL STOCK (cont'd)

(c) Escrowed Shares

Pursuant to the terms of the business combination completed during the year, at March 31, 2003 there are 10,971,248 common shares held in escrow. These shares are subject to a six year hold period and their release from escrow is subject to the terms of an agreement between the shareholders, the Company, and the transfer agent, Computershare Investor Services Inc.

(d) Stock Options

The Company has reserved stock options to directors and officers enabling them to acquire up to 135,000 common shares of the Company at an exercise price of \$0.30 per share. The options are exercisable for a period of five years and expire on September 8, 2005.