



FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2006
(Unaudited)**

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MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION & THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006

November 28, 2006

Introduction

Management's discussion and analysis ("MD&A") focuses on significant factors that affected Compliance Energy Corporation performance and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2006 and the Company's 2005 audited consolidated financial statements and the related notes contained therein. The Company reports its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the year ended December 31, 2005. Additional information on the Company is available and can be found at www.sedar.com or www.complianceenergy.com.

Overall Performance

The Company recorded a loss of \$426,798 or \$0.01 per share for the nine months ended September 30, 2006 as compared to a loss of \$293,767 or \$0.01 per share for the nine months ended September 30, 2005. In order to better understand Compliance Energy's financial results for the nine months ended in 2006, it is important to gain an understanding of the stage of development of the Company's main assets: (1) the wood waste and coal power plant project located near the Company's Basin Coal Mine that has been awarded a 30 year take or pay Electricity Purchase Agreement from BC Hydro; (2) the Vancouver Island Coal Deposits which are currently undergoing a development evaluation; and (3) the Basin Coal Mine of which Compliance holds a 100% interest and processes and sells thermal coal.

Development expenditures on the Princeton Power Project have all been deferred during the quarter and will continue to be deferred until the project is built and in production. Similarly exploration expenditures on the Vancouver Island coal assets have been deferred as the Company evaluates the deposits. Production concluded at the Basin Coal Mine in early September 2006 as sufficient clean coal was produced to fulfill existing 2006 contracts. As development at the Basin is still in its early stages all expenses associated with the Basin Coal Mine have been deferred during the quarter. As a result \$2.9 million of expenses associated with the Basin Coal Mine have been deferred during the quarter. The Company is only expensing administrative expenses not related to the Basin Coal Mine that were incurred during the quarter. Once the Basin Coal Mine reaches commercial production in conjunction with the development of the power plant project, the Company will no longer defer start-up costs.

Professional fees were \$129,997 for the nine months ended September 30, 2006 as compared to \$69,891 for the period ended September 30, 2005. General and Administrative expenses were \$215,552 for the nine months ended September 30, 2006 as compared to \$89,296 for the nine months ended September 30, 2005. The increase in General & Administrative charges is a result of incurring additional head office costs to support the increased activity levels on the two main projects. General and Administrative were made up of; \$68,160 of office wages, \$6,445 of bank and interest charges, \$23,302 office expenses, \$36,139 office rent, \$15,400 of donations, \$15,230 printing and stationary, \$38,734 miscellaneous, and \$7,524 computer expenses. General and administrative charges for the nine months ended September 30, 2005 were made up of; \$23,587 office expenses, \$17,701 office rent, \$12,979 of donations, \$3,754 printing and stationary, \$26,940 miscellaneous, and \$3,805 of computer expenses

The Company incurred \$39,084 in transfer agent fees and \$93,255 in shareholder communications fees during the nine months ended September 30, 2006 as compared to \$35,536 and \$64,635 respectively for the same period last year. The increase in shareholders communication expenses is a result of the Company increasing its activities to keep investor more informed on Corporate activities.

Selected Annual Information

Selected consolidated financial information of the Company for each of the last three completed financial years is detailed in the MD&A accompanying the Company's 2005 audited consolidated financial statements.

Liquidity and Capital Resources

As at September 30 2006, the Company had a working capital deficiency of \$218,930 (comprised of \$0.4 million of cash, \$0.9 million of receivables and prepaid expenses, and \$3.4 million of investments and marketable securities, offset by \$1.5 million of accounts payable and \$3.5 million in a short term loan) compared with a working capital of \$5.3 million (comprised of \$5.9 million of cash, \$0.1 million of receivables, prepaid expenses and inventory offset by \$0.6 million of liabilities) at December 31, 2005.

The decrease in working capital between December 31, 2005 and September 30, 2006 was a result of the Company continuing to advance the power project, commencing a drilling and seismic program at the Raven Coal Deposit on Vancouver Island, and by completing mining and processing activities at the Basin Coal Mine, and addition, the Company closed a \$3.5 million term loan with Quest Capital Corp of Vancouver, British Columbia. The principal of the loan has been included in current liabilities.

The Company currently has 6.6 million warrants outstanding that, if exercised, would generate approximately \$6.4 million dollars of new equity money for the Company. These warrants have an exercise price ranging from \$0.75 per share to \$1.25 per share and an expiry date ranging from November 10, 2006 to December 22, 2006. If these options are not exercised, the Company would need to complete another financing at some point during the year in order to meet its general cash requirements. On September 26, 2006 the Company announced that Jennings Capital Inc. and Dundee Securities Corp. were engaged as co-lead agents to raise up to \$10 million on a best efforts basis. In addition, subsequent to the end of the quarter the Company announced that it had closed a non-brokered private placement that raised \$1.6 million by way of a flow-through financing.

With the current exploration program on the Raven Metallurgical Coal Deposit on Vancouver Island, and the cash requirements for the Company on its Princeton Power Project, the Company will require additional sources of money. It is anticipated that these additional sources of money would take the form of debt and equity, financed specific to each project.

The following table is selected quarterly financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements and the audited financial statements for the year ended December 31, 2005.

Summary of Quarterly Results

Quarter	Revenue	Net Loss	Basic Loss per Share	Fully Diluted Loss Per Share
September 30, 2006	-	\$137,568	\$0.00	\$0.00
June 30, 2006	-	\$203,803	\$0.00	\$0.00
March 31, 2006	-	\$126,159	\$0.00	\$0.00
December 31, 2005	-	\$499,432	\$0.01	\$0.01
September 30, 2005	-	\$95,410	\$0.00	\$0.00
June 30, 2005	-	\$127,195	\$0.00	\$0.00
March 31, 2005	-	\$71,162	\$0.00	\$0.00
December 31, 2004	-	\$155,186	\$0.01	\$0.01
September 30, 2004	-	\$92,073	\$0.00	\$0.00

The Company's quarterly results are fairly consistent over the last eight quarters with the exception of the last quarter in the year ending 2005. There was an increase in expenditures during the last quarter of 2005 as there were stock options issued to directors and employees during the quarter, which were valued using the Black-Scholes Option Pricing Model. As a result the Company recorded a \$370,000 charge in 2005 to stock compensation expense as required under the fair value method of accounting for stock options.

Project Reviews

Raven Metallurgical Coal Project

The Company continued with its \$2.1 million exploration program on Vancouver Island during the quarter. A total of 21 kilometers of high resolution seismic surveys and nine drill holes have been completed. The Company is awaiting a comprehensive seismic interpretation report which should be completed by year end. The drilling and seismic programs appears to have extended the known coal resource by up to one half kilometer to the north and two kilometers to the south with the deposit still open on strike in both directions.

Seven drill holes have intersected Seam #1 with coal thicknesses ranging from 2.8 to 4.16 meters. Seven drill holes have intersected Seam #3 with coal thicknesses of 0.6 to 2.9 meters. Drill core samples were collected under the supervision of Owen R. Cullingham, P. Geo. who is the Qualified Person for reporting purposes on the exploration program. A total of \$954,935 has been deferred on this project during the quarter ending September 30, 2006.

Princeton Power Project

During the quarter BC Hydro awarded the Company a long term 30 year power contract to build a 56MW power plant at Princeton, BC with an estimated cost of \$200 million. As a requirement to entering into the 30 year take or pay contract with BC Hydro, the Company provided performance security to BC Hydro by way of a \$3.4 million letter of credit. The Company continued to advance the Princeton Power Project during the quarter. Activities centered on preparation for the Environmental Assessment Certificate and Air Permit Application; and a tendering process to select an engineering firm to assist in the development of the project. A total of \$342,891 was incurred on this project during the quarter. All of these costs have been deferred.

Basin Coal Mine

During the quarter, operations concluded as the focus began to shift to winterization and maintenance of the operation. A total of 41,677 tonnes of clean coal were produced and 36,171 were delivered to customers. As a result of the limited production all costs associated with the Basin Coal Mine have been deferred for the quarter. A total of \$2.9 million in expenditures have been deferred during the quarter relating to the Basin Coal Mine. With the awarding of the BC Hydro power contract to the Company, the Basin will plan for increased production as the power project nears completion.

Risks and Uncertainties

The Company's success depends on a number of factors, some of which are beyond the control of the Company. Typical risk factors include coal price fluctuations and operating uncertainties encountered in the mining business. Competition for the limited Pacific Northwest thermal coal market may make it difficult to penetrate the market. Future government, legal or regulatory changes could affect any aspect of the Company's business, including, among other things, environmental permitting and taxation costs and the ability of the Company to develop an independent power project. These risks and uncertainties are managed in part, by experienced managers, advisors and consultants, maintaining adequate liquidity, and by cost control initiatives.

Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to permit timely discussions regarding public disclosures. Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2005. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation are recorded, processed and reported within the time period specified in those rules.

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
ASSETS		
Current Assets		
Cash	\$ 477,239	\$ 5,853,682
Accounts receivable	876,970	140,541
Investments and marketable securities	3,397,500	37,500
Prepaid expenses	8,014	8,014
	4,759,723	6,039,737
Reclamation bonding	195,000	173,500
Property, plant and equipment (note 3)	5,109,380	5,151,105
Resource property (note 4)	11,108,184	5,808,815
	\$ 21,172,287	\$ 17,173,157
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,478,653	\$ 658,586
Short-term loan (note 5)	3,500,000	-
	4,978,653	658,586
Non-current Liability		
Long term debt	780,836	903,137
	5,759,489	1,561,723
SHAREHOLDERS' EQUITY		
Share Capital (note 6)	16,687,212	16,459,050
Contributed surplus	690,067	690,067
Deficit	(1,964,481)	(1,537,683)
	15,412,798	15,611,434
	\$ 21,172,287	\$ 17,173,157

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 NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
REVENUES				
Interest Income	27,148	\$ 14,038	72,193	\$ 30,986
	27,148	14,038	72,193	30,986
EXPENSES				
Bank Charges & Interest	5,104	1,194	6,445	1,608
Computer Expenses	3,470	768	7,524	3,805
Consulting fees	-	27,150	-	57,150
Donations	200	250	15,400	12,979
Miscellaneous	1,581	16,116	38,734	24,290
Office Expenses	11,581	12,893	23,302	21,979
Office Rent	17,050	4,386	36,139	17,701
Office Wages	27,426	-	68,160	-
Printing & Stationary	11,759	301	15,230	3,754
Professional fees	34,251	21,350	129,997	69,891
Shareholder communications	39,591	17,260	93,255	64,635
Subscriptions & Publications	1,210	-	4,618	3,180
Transfer agent & filing fees	10,329	6,216	39,084	35,536
Travel	1,164	1,564	21,103	8,245
Total Expenses	164,716	109,448	498,991	324,753
NET LOSS FOR THE PERIOD	137,568	95,410	426,798	293,767
DEFICIT , BEGINNING OF PERIOD	1,826,913	942,841	1,537,683	744,484
DEFICIT, END OF PERIOD	\$ 1,964,481	\$ 1,038,251	\$ 1,964,481	\$ 1,038,251
LOSS PER SHARE	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
WEIGHTED AVERAGE				
NUMBER OF SHARES OUTSTANDING	44,399,460	37,373,059	44,028,628	37,373,059

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (Unaudited)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
OPERATING ACTIVITIES				
Net loss for the period	\$ (137,568)	\$ (95,410)	\$ (426,798)	\$ (293,767)
Items not involving cash:				
Net change in non-cash working capital items	4,154,963	77,986	3,583,638	(97,266)
	4,017,395	(17,424)	3,156,840	(391,033)
INVESTING ACTIVITIES				
Purchase of reclamation bond	-	-	(21,500)	(3,500)
Purchase of performance security	(3,360,000)	-	(3,360,000)	-
Purchase of capital assets	145,816	(738,145)	(97,652)	(2,034,217)
Resource property costs	(1,784,342)	(794,710)	(5,159,992)	(1,973,406)
	(4,998,526)	(1,532,855)	(8,639,144)	(4,011,123)
FINANCING ACTIVITIES				
Long term debt (repaid)	(49,328)	235,106	(122,301)	(58,563)
Shares issued for cash	249,161	56,500	228,162	5,622,594
	199,833	291,606	105,861	5,564,031
INCREASE (DECREASE) IN CASH	(781,298)	(1,258,673)	(5,376,443)	1,161,875
CASH, BEGINNING OF PERIOD	1,258,537	3,747,985	5,853,682	1,327,437
CASH, END OF PERIOD	\$ 477,239	\$ 2,489,312	\$ 477,239	\$ 2,489,312

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

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. 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, 2005.

These interim period statements have not been reviewed by the Company’s auditors and 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. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2006	December 31, 2005
Land	\$ 50,000	\$ 50,000
Building	297,476	278,283
Equipment – other	157,755	104,652
Equipment – wash plant	3,119,518	2,780,145
Equipment – mining	2,442,611	2,460,053
	<u>6,067,360</u>	<u>5,673,133</u>
Accumulated Depreciation	(983,790)	(547,838)
Office equipment	25,810	25,810
	<u>\$ 5,109,380</u>	<u>\$ 5,151,105</u>

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

4. RESOURCE PROPERTY

a) Basin Coal Mine

The Basin Coal Mine consists of 9 coal licenses covering 8,295 acres, and the mining rights were acquired pursuant to a Mining Agreement dated August 30, 2002. Under this agreement, the Company acquired working rights to the Property and a Right of First Offer in respect to any future disposition of the mineral tenures and related royalty comprising the Property. The property is subject to a royalty of \$1.50 per tonne on all washed coal sold.

b) Bear Metallurgical Coal Deposit

The Bear Metallurgical Coal Deposit consists of 6 coal licenses totaling 4,325 acres. During 2005 the Company exercised its option to acquire coal leases that cover 100% of the Bear Metallurgical Coal Deposit on Vancouver Island. Under the terms of the agreement, the Company paid a total of \$215,000 and granted a royalty of 2.5% of the coal sales, FOB mine site.

c) Raven Metallurgical Coal Deposit

During 2005 the Company entered into an agreement to acquire coal rights that cover approximately 82,000 acres on Vancouver Island, including 100% of the Raven Metallurgical Coal Deposit on Vancouver Island. Under the terms of the agreement, the Company has made a \$200,000 option payment and must make an additional payment of \$2,800,000 on or before November 30, 2006; \$2,000,000 in four equal payments over the next four years based on development milestones; and \$4,000,000 by way of a \$0.50 per tonne royalty once production is achieved. The property is subject to no other royalties. In addition, the Company paid a total of \$175,000 to an independent third party on the acquisition of ground contiguous to the Raven property.

d) Anderson Lake Coal Deposit

During 2005 the Company entered into an agreement to acquired 100% of the coal rights that cover approximately 1,938 acres on Vancouver Island. Under the terms of the agreement, the Company paid \$50,000 during the year. The property is not subject to a royalty.

e) Wolf Mountain Mine

During 2004 the Company entered into an agreement to acquire 100% of the common shares of a private company that holds the coal licenses, permits and physical assets of the Wolf Mountain Mine located on Vancouver Island. Under the terms of the agreement, the Company has made an initial \$50,000 option payment and must make an additional payment of \$200,000 on or before December 24, 2009

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

4. RESOURCE PROPERTY (continued)

f) CEC Power Project

The Company has assigned its option to purchase the former Similco mine where the Company is proposing to build a 56MW power plant on a portion of the land ("Core Area") to Copper Mountain Mining Corporation ("CMMC"). Under the terms of the agreement CMMC has the option to purchase the entire 18,000 acre site for \$1.0 million and the Company has the option to purchase the Core Area for the power plant site from CMMC for \$1. The option expires on December 31, 2006. Costs incurred to date on the power plant project have been deferred. In the event CMMC does not exercise its option, the Company has the right to reclaim the option and exercise it in the name of the Company.

g) The details of the carrying amount of the Company's resource property costs are as follows:

	Cumulative to	
	September 30, 2006	December 31, 2005
Basin Coal Mine		
Mining	\$ 6,091,103	\$ 4,025,491
Processing	2,952,780	2,124,220
Development	5,585,346	3,897,913
Marketing	354,378	273,998
Environmental	310,179	277,721
Legal	52,508	52,508
	<u>15,346,294</u>	<u>10,651,851</u>
Less: start-up Coal Revenue	(6,212,429)	(4,421,336)
	<u>\$ 9,133,865</u>	<u>\$ 6,230,515</u>
Valuation adjustment on purchase of remaining 35% interest in the CBCJV	(2,332,639)	(2,332,639)
Other deferred costs:		
Bear Coal Deposit		
Acquisition	215,000	215,000
Deferred Costs	771,284	752,919
Raven Coal Deposit		
Acquisition	481,200	275,000
Deferred Costs	1,571,029	-
Wolf Mountain Mine		
Acquisition	50,000	50,000
Deferred Costs	17,406	17,406
Other Coal Assets		
Acquisition	240,000	240,000
Deferred Costs	4,500	4,500
CEC Power Project		
Acquisition	60,000	60,000
Deferred Costs	896,539	296,114
	<u>\$ 11,108,184</u>	<u>\$ 5,808,815</u>

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

5. SHORT TERM LOAN

The Company closed a \$3.5 million term loan with Quest Capital Corp of Vancouver, British Columbia. Under the terms of the loan, which has been fully drawn and is due May 30, 2007, bearing a monthly interest rate of 1%, the Company has issued 646,153 common shares of the Company as “Bonus Shares” as permitted under TSX Venture Exchange rules. The Bonus Shares are subject to a four month hold period until December 24, 2006. Proceeds from the term loan were used to provide performance security to BC Hydro under the recently awarded 30 year Electricity Purchase Agreement for the Company’s 56 MW Princeton Power Project awarded on July 27, 2006. The \$3.5 million principal has been included in current liabilities.

6. 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
Issued at December 31, 2005	43,839,091	\$ 16,459,050
• Shares issued for cash (net of costs)	-	(20,999)
• Shares issued for cash pursuant to a private placement at \$0.62 per share	500,000	310,000
• Shares issued pursuant to a term loan	646,153	420,000
• Financing costs	-	(480,839)
Issued at September 30, 2006	44,535,244	\$ 16,687,212

- (c) Escrowed Shares

Pursuant to the terms of the business combination completed during the year, at September 30, 2006 there are 5,774,349 common shares held in escrow. These shares are subject to a six year hold period, ending on September 5, 2009, and their release from escrow occurs bi-annually and is subject to the terms of an agreement between the shareholders, the Company, and the transfer agent, Computershare Investor Services Inc.

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

6. CAPITAL STOCK *(continued)*

(d) Stock Options

As at September 30, 2006, the Company has reserved stock options to directors and officers enabling them to acquire up to 3,910,000 common shares of the Company as follows:

Options Outstanding	2006		2005	
	Number of shares	Weighted average exercise price Cdn. \$	Number of shares	Weighted average exercise price Cdn. \$
Beginning of period	3,910,000	0.77	940,000	0.34
Granted during period	-	-	2,280,000	0.85
Exercised during the period	-	-	(195,000)	0.34
End of period	<u>3,910,000</u>	0.77	<u>3,025,000</u>	0.77

The weighted-average remaining life of options outstanding at September 30, 2006 is 3.73 years.

(e) Warrants

As at September 30, 2006 6,593,678 warrants are outstanding entitling the holders to acquire shares of the Company at prices ranging between \$0.75 and \$1.25 per share exercisable at various dates ranging up until August 10, 2008.

(f) Broker Warrants

As at September 30, 2006 270,283 broker warrants are outstanding entitling the holders to acquire shares of the Company at \$0.85 per share exercisable at various dates ranging up until December 22, 2006.

7. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of the Company's operations and have been measured at their fair value as determined by management. The year end balances payable are non-interest bearing and have no fixed terms for repayment.

- The Company paid one of its officers legal, management and administration fees aggregating \$87,750 during the period ended September 30, 2006 (period ended September 30, 2005 - \$63,000).
- The Company paid one of its directors, management consulting fees aggregating \$7,088 during the period ended September 30, 2006 (period ended September 30, 2005 - \$37,500).

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 (Unaudited)

8. SUBSEQUENT EVENT

Subsequent to September 30, 2006, the Company arranged a non-brokered private placement flow-through financing of \$1.6 million. The financing consists of 2,461,538 flow-through common shares, at a price of \$0.65 per common share. Proceeds of the financing will be used for development of the Company's properties and working capital. This financing is subject to a four-month hold period and requires the approval of the TSX Venture Exchange.