



FINANCIAL STATEMENTS

**FOR THE SIX MONTHS ENDED
JUNE 30, 2009 AND 2008
(UNAUDITED)**

**Suite 550 – 800 West Pender Street
Vancouver, British Columbia 6C 2V6
Ph# 604-689-0489 Fax# 604-681-5910**

FORM 51-102F1
COMPLIANCE ENERGY CORPORATION
(The “Company”)

**MANAGEMENT'S DISCUSSION & ANALYSIS (“MD&A”) OF FINANCIAL CONDITION
& THE RESULTS OF OPERATIONS FROM THE SIX MONTHS ENDED JUNE 30, 2009.**

August 28, 2009

Management Discussion and Analysis

Introduction

Management's discussion and analysis (“MD&A”) focuses on significant factors that affected Compliance Energy Corporation's 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 Company's consolidated financial statements and the related notes contained therein for the six months ended June 30, 2009 and the Company's audited consolidated financial statements and the related notes contained therein for the year ended December 31, 2008. 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, 2008. The Company's financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate the Company's exploration results and financial situation.

Forward-Looking Statements

The MD&A contains certain statements that may be deemed “forward-looking statements.” All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “targets” and similar expressions, or that events or conditions “will”, “would”, “may”, “could”, or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, government policy decisions, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This discussion uses the terms ‘measured resources’ and ‘indicated resources’. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

Cautionary Note Investors Concerning Estimates of Inferred Resources

This discussion uses the term ‘inferred resources’. The Company advises investors that while this term is recognized and required by Canadian regulations, the US Securities and Exchange Commission does not recognize it. ‘Inferred resources’ have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

The Company was incorporated under the provisions of the British Columbia *Company Act* on July 27, 2000 and on August 30, 2002 changed its name to Compliance Energy Corporation (“Compliance”). Compliance’s main projects are its freehold coal holdings on Vancouver Island; the operation of the Basin Coal Mine located near Princeton, BC which is currently on care and maintenance; and the development of a wood waste power project located near Princeton, BC.

During the period the Company finalized the creation of a new joint venture, named the Comox Joint Venture (“CJV”), with I-Comox Coal Inc., a wholly owned subsidiary of ITOCHU Corporation and LG International Investments (Canada) Ltd. a wholly owned subsidiary of LG International Corp. (“the Parties”), to investigate the possibilities of developing the Raven Coal Project on Vancouver Island. In addition, further to the previously announced option agreement for the sale of the mining agreement to mine coal at the Basin Coal Mine, the Company received the \$1,000,000 option payment and 7,407,408 shares of Jameson Resources Limited (“JAL”) under the terms of the option agreement.

The Company continues to have discussions with BC Hydro regarding the Company’s proposed power project located near Princeton, BC under which the Company entered into a power purchase contract in 2006 with BC Hydro. Due to the BC governments change in policy regarding the use of coal, the Company has been unable to move forward with the planned project and has continued discussions with BC Hydro to convert the project to a biomass plant.

1.21 Projects

Comox Joint Venture

The Comox Joint Venture was formed on February 20, 2009 to further explore the Vancouver Island Properties that the Company contributed to the venture. A total of \$11.25 million in funding was provided by the Parties including: a) a lump sum payment to West Fraser Mills to complete the purchase of approximately 29,000 hectares of WFM’s freehold coal mineral interests on the east side of Vancouver Island, which was completed late last year; b) a refund to the Company for two prior option payments made to WFM; and c) a lump sum payment of \$7.0 million to the Comox Joint Venture to fund all of the activities necessary to reach a production decision on the Raven Coal Project.

Exploration permits were received for the Raven Underground Coal Project (“Raven Project”) on May 19, 2009 and drilling contracts were signed shortly thereafter. Exploration drilling and geophysical logging commenced on May 25, 2009, with four drill rigs on site. The two seams of economic interest, Seam 1 and Seam 3, have been intercepted at various depths in thicknesses ranging from 1.3 to 4.1 meters for Seam 1 and 1.15 to 3.7 meters for Seam 3. Core samples have been sent to an independent laboratory for coal quality testing. The drilling and coal quality testing program is under the supervision of Owen R. Cullingham, P. Geo., who is the Independent Qualified Person for reporting purposes as defined in NI 43 – 101 Standards of Disclosure for Mineral Projects. Drilling is expected to conclude in the third quarter and as at June 30, 2009, approximately 4,000 meters was drilled. The Company also awarded a contract during the quarter to Pincock, Allen, and Holt to conduct a bankable feasibility study on the Project which is expected to be completed in the first half of 2010. In addition, the Company commenced environmental activities on the project by submitting a project description the British Columbia Environmental

Assessment Office (“BCEAO”). The Project Description outlines the Comox JV’s proposed underground coal mine with an annual clean coal production rate of up to 1.5 million tonnes over a projected mine life of 20 years. Since an underground mine development is being proposed, the surface footprint will be relatively small with the proposed surface structures consisting primarily of a coal preparation plant and related facilities, electric substation, and maintenance and administration buildings. Other infrastructure: the inland island highway, high voltage power lines, a railway, and gas pipeline are close at hand and the project would include short (2-4 kilometers) interconnections to each of these as required.

The Environmental Assessment Office confirmed that the project is reviewable and issued a Section 10 Order that triggers the beginning of the environmental review process leading toward production. The Project Description was filed during the quarter with with the BCEAO, Canadian Environmental Assessment Agency, and the newly formed Natural Resources Canada Major Projects Management Office. These offices will distribute the Project Description and will notify the Comox JV which Provincial and Federal Agencies, First Nations and affected parties will be involved in the detailed review process. The Comox JV expects to file an Application for an Environmental Assessment Certificate (“EAC”) in the second quarter of 2010 and expects receipt of the EAC in early 2011 to allow for permitting, and in time for scheduled commissioning and start-up.

All direct costs are being deferred on this project and during the quarter a total of \$989,868 of expenditures was deferred.

Basin Coal Mine

The Basin Coal Mine is located 300 km east of Vancouver near the town of Princeton, BC. The mine remains on care and maintenance. The Company has received an option payment from NWPC Pty Ltd (“NWPC”) a private Australian company of \$1,000,000 in cash and 7,407,408 shares of Jameson Resources Ltd. (“JAL”) as outlined under the terms of the option agreement entered into last year by the Company. The shares of JAL trade on the Australian Stock Exchange and are subject to a one year escrow provision. The final option payment of \$3,100,000 in cash plus closing adjustments and 7,407,408 JAL shares is due on or before May 31, 2010 at which time the Company’s interest in the mining agreement would transfer. A final option payment of 7,407,408 shares is due on or before the earlier of commencement of coal production and May 31, 2012. During the period the Company deferred \$136,866 in costs on the project.

Princeton Power Project

As a result of the province changing its direction on the acceptability of coal as a fuel for electricity production in BC, the Company has continued to have discussions with BC Hydro regarding switching the project to be fueled entirely with wood. The Company has kept expenditures on this project to a minimum until these discussions are concluded. In 2008 the Company hired the Timberline Natural Resource Group (“Timberline”) to complete a wood fuel study for the Princeton region and Timberline’s study indicates that sufficient forest residuals and dead mountain pine beetle killed wood are forecasted to be available in the Princeton region to fuel the plant over its lifetime. Conversion to wood would enable the Project to meet Provincial objectives regarding greenhouse gas emissions and could make the output of the plant eligible to be classified as BC Clean Electricity under BC Government guidelines. The Company will continue to defer all costs associated with this project until discussions between BC Hydro, and the Company has concluded. A total of \$15,111 was incurred on this project during the period.

1.4 Results of Operations

For the Six Months Ended June 30, 2009

The Company recorded net income of \$5,117,020 or \$0.11 per share, for the six months ended June 30, 2009. This compares to income of \$374,302 or \$0.01 per share for the six months ended June 30, 2008. A majority of this income is non-cash in nature and is derived from the accounting gain of \$4,614,593 achieved on the creation of the Comox Joint Venture.

General and Administrative expenses were \$157,346 for the six months ended June 30, 2009 as compared to \$119,936 for the six months ended June 30, 2008. General and Administrative expenses for the period ended June 30, 2009 included Office Wages of \$112,107, Office Rent of \$21,490, Printing & Stationary of \$3,225, Subscriptions of \$4,020, Office and Miscellaneous expenses of \$12,586, Bank Charges and Interest of \$3,174, and Computer and Website expenses of \$744. This compares to Office Wages of \$49,294, Office Rent of \$26,003, Printing and Stationary of \$7,063, Subscriptions of \$3,518, Office and Miscellaneous expenses of \$15,579, and Computer and Website expenses of \$644 for the six months ended June 30, 2008. The increase in Office Wages is a result of the addition of a full time director of investor relations. The decrease in office rent is a result of an increase in shared occupancy of the current premises by another company. The decrease in interest and bank charges is a result of the Company paying off the loan from Copper Mountain Mining Corporation ("CMMC") (See also 1.9 - Transactions with Related Parties) Professional fees, which include legal and accounting fees, were \$102,711 for the six months ended June 30, 2009 as compared to \$42,134 for the six months ended June 30, 2008. The Company also incurred stock-based compensation expense of \$13,899 as a result of repricing all outstanding stock options issued to employees, consultants officers, and directors in the quarter. This compares to \$nil during the same period last year. The Company incurred \$13,930 in transfer agent fees and \$36,684 in shareholder communications fees during the six months ended June 30 2009 as compared to \$15,377 and \$17,439, respectively for the same period last year. The increase in shareholders communication expenses is a result of the Company increasing its investor relations activities in the Company as a result of the commencement of exploration activities at the Comox Joint Venture in the early part of the second quarter.

For the Three Months Ended June 30, 2009

The Company recorded a loss of \$162,573 or \$0.00 per share, for the quarter. This compares to a loss of \$98,020 or \$0.00 per share for the three months ended June 30, 2008. General and Administrative expenses were \$87,301 for the three months ended June 30, 2009 as compared to \$59,378 for the three months ended June 30, 2008. General and Administrative expenses for the quarter included Office Wages of \$66,677, Office Rent of \$10,521, Printing & Stationary of \$800, Subscriptions of \$620, Office and Miscellaneous expenses of \$7,810, Bank Charges and Interest of \$684, and Computer and Website expenses of \$188. This compares to Office Wages of \$23,818, Office Rent of \$12,808, Printing and Stationary of \$4,193, Subscriptions of \$601, Office and Miscellaneous expenses of \$7,143, Bank charges and interest of \$10,602 and Computer and Website expenses of \$644 for the three months ended June 30, 2008. The increase in Office Wages is a result of the formation of the Comox Joint Venture. The decrease in office rent is a result of an increase in shared occupancy of the current premises by another company. The decrease in interest and bank charges is a result of the Company paying off the loan from Copper Mountain Mining Corporation ("CMMC") (See also 1.9 - Transactions with Related Parties) Professional fees, which include legal and accounting fees, were \$82,636 for the three months ended June 30, 2009 as compared to \$20,837 for the three months ended June 30, 2008. This increase is mainly due to the

formation and startup of activities of the Comox Joint Venture during the quarter. The Company also incurred consulting fees of \$4,782 in the quarter. The Company also incurred stock-based compensation expense of \$13,899 as a result of repricing all outstanding stock options issued to employees, consultants officers, and directors in the quarter. This compares to \$nil during the same period last year. The Company incurred \$5,129 in transfer agent fees and \$34,820 in shareholder communications fees during the three months ended June 30 2009 as compared to \$7,644 and \$10,291, respectively for the same period last year. The increase in shareholders communication expenses is a result of the Company hiring an in house investor relations person during the quarter and increasing its investor relations activities in the Company as a result of the commencement of exploration activities at the Comox Joint Venture in the early part of the second quarter.

1.5 Summary of Quarterly Results

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.

Summary of Quarterly Results

Quarter	Revenue	Net Income (Loss)	Basic Income (Loss) per Share	Fully Diluted Income (Loss) Per Share
June 30, 2009	-	(\$176,573)	(\$0.00)	(\$0.00)
March 31, 2009	-	\$5,293,591	\$0.11	\$0.11
December 31, 2008	-	\$126,371	\$0.00	\$0.00
September 30, 2008	-	(\$154,755)	\$0.00	\$0.00
June 30, 2008	-	(\$98,020)	\$0.00	\$0.00
March 31, 2008	-	\$472,322	\$0.01	\$0.01
December 31, 2007	-	(\$227,642)	(\$0.03)	\$(0.03)
September 30, 2007	-	\$(90,188)	\$0.00	\$0.00

The Company's quarterly results are fairly consistent over the last eight quarters with the exception of the first quarter in 2009. During the first quarter of 2009, the Company realized a gain from the formation of the Comox Joint Venture of \$4,614,593.

1.6 Liquidity and Capital Resources

As at June 30, 2009, the Company had working capital of \$6,017,534 (comprised of \$4,780,745 cash, \$147,765 of receivables and prepaid expenses, and \$1,848,000 of investments and marketable securities, offset by \$758,976 of accounts payable and accrued liabilities. This compared with working capital of \$1,517,474 (comprised of \$840,773 of cash, \$52,362 of receivables, prepaid expenses and \$1,293,600 of investments and marketable securities and offset by \$669,261 of liabilities) at December 31, 2008. The increase in working capital is primarily attributable to the receipt of \$1.0 million option payment for the Basin Coal Mine and the receipt of \$7 million by the Comox Joint Venture on the formation of the joint venture, of which the Company proportionate consolidates 60% of the Comox Joint Venture assets.

The current cash requirements of the Company for the year will mainly come from activities on the Comox Joint Venture to fund the environmental baseline study, the exploration drilling program,

and a bankable feasibility study as well as general and administrative expenses of the Company. Funding requirements in excess of these activities will require additional sources of money, however, this is not anticipated to be required until some time in mid 2010. The Company's ability to continue as a going concern is dependent upon management's ability to sufficiently fund the Company's development program, manage its foreign currency exposures, and develop a project on time and on budget that allows it to generate positive cash flows from future operations.

These additional funds, if required, could potentially come from equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time. Management is of the opinion that sufficient working capital will be obtained from external financing sources to meet the Company's liabilities as they come due. Should this going-concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. It is not possible to predict the outcome of those matters at this time.

1.7 Capital Resources

The Company's current cash requirements on the Company's projects will not require additional sources of money at this time. It is anticipated that if additional sources of money were required it would come from either the Comox Joint Venture partners for expenditures on the Comox Joint Venture, or for other Company expenditures it would come from; the sale marketable securities that the Company holds for investment purposes, from the sale proceeds from the Basin Coal Mine, or from additional debt and equity financed specific to each project. Other than those obligations disclosed in the notes to its audited financial statements for the year ended December 31, 2008, the Company had no material commitments for material capital expenditures as of June 30, 2009.

1.8 Off-Balance Sheet Arrangements

None

1.9 Transactions with Related Parties

During the period, 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. During the year, the Company paid management and administration fees aggregating \$30,690 to a private company controlled by a director and officer of the Company.

On February 12, 2009 the Company repaid the demand loan held by Copper Mountain Mining Corporation. The payment totaled \$441,803 and included \$400,000 of principal and \$41,803 of interest. All interest was accrued to February 13, 2009. The loan was secured by the equivalent value of common shares of CMMC owned by the Company, with the loan bearing an interest rate of prime plus 1%.

1.10 Fourth Quarter

Not applicable

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in note 2 of the audited consolidated financial statements for the year ended December 31, 2008. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- the carrying value of mineral properties,
- the carrying value of property, plant and equipment,
- rates of amortization of property, plant and equipment,
- the carrying values of the reclamation liability,
- the valuation allowances for future income taxes
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations once the mine is back in production.

1.13 Change in Accounting Policies including Initial Adoption

Please refer to note 2 of the audited financial statements for the year ended December 31, 2008.

1.14 Financial Instruments and Other Instruments

Please refer to note 2 of the audited financial statements for the year ended December 31, 2008.

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

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 copper, gold and silver price fluctuations and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company's business, including, among other things, environmental permitting and taxation costs which could impact the ability of the Company to develop the Copper Mountain 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 June 30, 2009. 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.

The Company's internet web site is www.complianceenergy.com

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2009

	(Unaudited) June 30, 2009	(Audited) December 31, 2008
ASSETS		
Current Assets		
Cash	\$ 4,780,745	\$ 840,773
Accounts receivable	111,380	30,974
Investments and marketable securities (note 2)	1,848,000	1,293,600
Prepaid expenses	36,386	21,388
	<u>6,776,511</u>	<u>2,186,735</u>
Reclamation bonding	166,000	145,000
Property, plant, and equipment (note 4)	419,169	435,204
Resource property (note 5)	9,519,280	10,168,987
	<u>\$ 16,880,960</u>	<u>\$ 12,935,926</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 758,976	\$ 231,074
Due to related party (note 8)	-	438,187
	<u>758,976</u>	<u>669,261</u>
Long-term debt (note 6)	280,000	2,110,000
	<u>1,038,976</u>	<u>2,779,261</u>
SHAREHOLDERS' EQUITY		
Share Capital (note 7b)	16,930,649	16,930,649
Contributed surplus	1,117,934	1,104,035
Deficit	(4,002,223)	(9,119,243)
Accumulated comprehensive income	1,795,624	1,241,224
	<u>15,841,984</u>	<u>10,156,665</u>
	<u>\$ 16,880,960</u>	<u>\$ 12,935,926</u>

Interim Financial Statements (Note 1)

Approved by:

"Jamieson Merritt" Director
Jamieson Merritt

"Jim O'Rourke" Director
Jim O'Rourke

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
EXPENSES				
Amortization	1,671	1,337	3,569	2,674
Consulting Fees	4,782	-	4,782	-
General & admin	87,301	59,378	157,346	119,936
Professional fees	82,636	20,837	102,711	42,134
Shareholder communications	34,820	10,291	36,684	17,439
Stock-based compensation	13,899	-	13,899	-
Transfer agent & filing fees	5,129	7,644	13,930	15,377
Travel	2,079	431	2,315	1,046
Loss before other items	(232,317)	(99,918)	(335,236)	(198,606)
Other items:				
Interest income	55,744	1,898	60,273	3,444
Excess recoveries recorded in operations	-	-	777,390	-
Gain on sale of marketable securities	-	-	-	569,464
Valuation gain on formation of Comox Joint Venture	-	-	4,614,593	-
Total Other items	55,744	1,898	5,452,256	572,908
NET INCOME (LOSS) FOR THE PERIOD				
	(162,573)	(98,020)	\$5,117,020	\$374,302
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD				
	(3,825,651)	(8,992,839)	(9,119,243)	(9,465,161)
RETAINED EARNINGS (DEFICIT), END OF PERIOD				
	\$ (4,002,224)	\$ (9,090,859)	\$(4,002,223)	\$(9,090,859)
INCOME (LOSS) PER SHARE, (BASIC AND DILUTED)				
	\$ (0.00)	\$ (0.00)	\$ 0.11	\$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, (BASIC)				
	47,446,783	47,446,783	47,446,783	47,446,783
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, (DILUTED)				
	48,674,783	47,446,783	48,674,783	44,746,783

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital		Deficit	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholder's Equity
	No. of Shares	Amount				
	(Note 9(b))			(Note 9(b))	(Note 3)	
Balance December 31, 2007	47,446,783	\$ 16,930,649	\$ (9,465,161)	\$ 1,057,916	\$ 552,000	\$ 9,075,404
Net income for the year	-	-	345,918	-	-	345,918
Other comprehensive income:						
Unrealized gains on marketable securities	-	-	-	-	1,489,449	
Realized gains on marketable securities	-	-	-	-	(800,225)	689,224
Comprehensive income						1,035,142
Stock-based compensation				46,119		46,119
	-	-	345,918	-	689,224	-
Balance, December 31, 2008	47,446,783	\$ 16,930,649	\$ (9,119,243)	\$ 1,104,035	\$ 1,241,224	\$ 10,156,665
Net income for the period	-	-	5,117,020	-	-	5,117,020
Other comprehensive income:						
Unrealized gains (loss) on marketable securities	-	-	-	-	554,400	
Realized gains on marketable securities	-	-	-	-	-	554,399
Comprehensive income						5,671,419
Stock-based compensation				13,899		13,899
	-	-	5,117,020	-	554,400	-
Balance June 30, 2009	47,446,783	\$ 16,930,649	\$ (4,002,223)	\$ 1,117,934	\$ 1,795,624	\$ 15,841,983
			(A)		(A)	

(A) Total deficit and accumulated other comprehensive income at June 30, 2009 was \$(2,206,600).

The accompanying notes are an integral part of these financial statements

COMPLIANCE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
OPERATING ACTIVITIES				
Net Income (loss) for the period	\$ (176,573)	\$ (98,020)	\$ 5,117,020	\$ 374,302
Items not involving cash:			-	-
Amortization	1,669	1,337	3,568	2,674
Future income tax recovery	-	-	-	-
Gain on sale of marketable securities	-	-	-	(569,464)
Gain on creation of JV	-	-	(4,614,593)	-
Net change in non-cash working capital items	1,156,382	(14,079)	949,181	(12,368)
	981,478	(110,762)	1,455,176	(204,856)
INVESTING ACTIVITIES				
Redemption (purchase) of reclamation bond	(21,000)	-	(21,000)	50,000
Resource property option payment	-	-	-	(600,000)
Sale of marketable securities	-	-	-	572,464
Sale (Purchase) of capital assets	(18,970)	-	(37,871)	-
Resource property costs	(1,208,916)	(207,694)	(388,146)	(376,192)
	(1,248,886)	(207,694)	(447,017)	(353,728)
FINANCING ACTIVITIES				
Option payment received	-	-	1,000,000	600,000
Advance (Re-payment) of demand loan	-	-	(438,187)	-
Share of cash received on joint venture creation	-	-	4,200,000	-
Long term debt (repaid)	-	-	(1,830,000)	-
Shares issued for cash (net)	-	-	-	-
	-	-	2,931,813	600,000
INCREASE (DECREASE) IN CASH	(267,408)	(318,456)	3,939,972	41,416
CASH, BEGINNING OF PERIOD	5,048,153	438,962	840,773	79,090
CASH, END OF PERIOD	\$ 4,780,745	\$ 120,506	\$ 4,780,745	\$ 120,506

Supplementary disclosures

During the six months ended June 30, 2009, the Company:

- Deferred \$50,337 in amortization expenses
- \$502,785 of accounts payable relates to resource property

During the six months ended June 30, 2008, the Company:

- Deferred \$92,387 in amortization expenses
- \$24,428 of accounts payable relates to resource property
- Accrued interest expenses of \$17,066 in connection with a demand loan from a related party.

The accompanying notes are an integral part of these financial statements

COMPLIANCE ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008 (UNAUDITED)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the provisions of the British Columbia *Company Act*. These consolidated financial statements include all of the accounts of the Company and its wholly-owned legal subsidiaries. All significant inter-company balances and transactions have been eliminated on consolidation.

These interim consolidated financial statements have been prepared on a going-concern basis, which assumes the ongoing ability of the Company to realize its assets and discharge its liabilities in the normal course of business. The Company's status as a going-concern is dependent upon its ability to generate future profitable operations and to receive continued financial support from its lenders and shareholders. For the period ended June 30, 2009, the Company reported income of \$5,117,020 and an accumulated deficit of \$4,002,223 at that date. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing and future commitments for the development of its projects.

In recognition of these circumstances, the Company has secured funding in the amount of \$7 million by way of the creation of the Comox Joint Venture ("CJV"), which enables the Company to continue to fund site development activities for the Raven Coal Project on Vancouver Island. This arrangement, while significant, is not sufficient in itself to enable the Company to fund all aspects of its obligations to develop the Raven Coal Project and, accordingly, management will need to pursue other financing alternatives to fund the Company's share of development costs for the Raven Coal Project once a production decision or suffer project dilution. Management plans to secure the necessary financing through a combination of debt and equity when these funds are required in the future. Nevertheless, there is no assurance that these initiatives will be successful.

The Company's ability to continue as a going concern is dependent upon management's ability to sufficiently fund the Company's development programs, manage its foreign currency exposures, and develop the Raven Coal Project on time and on budget that allows it to generate positive cash flows from future operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

Management is of the opinion that sufficient working capital will be obtained from external financing sources to meet the Company's liabilities as they come due. Should this going-concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. It is not possible to predict the outcome of those matters at this time.

2. INVESTMENTS AND MARKETABLE SECURITIES

Investments and marketable securities consist of shares of Copper Mountain Mining Corp. (TSX: CUM) ("Copper Mountain"). As at June 30, 2009, the Company owned 2,310,000 common shares of Copper Mountain (2008 – 2,310,000), all of which are free trading and recorded at their market value of \$0.80 per share, or an aggregate of \$1,848,000. In addition, the Company held 7,407,408 shares of Jameson Resources Ltd. ("JAL") The shares of JAL trade on the Australian Stock Exchange and are subject to a one year escrow provision and therefore have no market value at this time.

	June 30, 2009	December 31, 2008
Investment in Copper Mountain	\$ 1,848,000	\$ 1,293,600
Total	\$ 1,848,000	\$ 1,293,600

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3. JOINT VENTURE INTEREST

The Comox Joint Venture (“CJV”) was formed on February 20, 2009 for the purpose of developing and subsequently operating as a commercial coal field the Raven Coal Project (“the Property”) located within the Comox Coal Basin near Comox B.C. The Company’s initial contribution to the CBCJV consisted of its pre-existing interest in the Property, which had a cost amount on the Company’s accounts of \$5,338,517; however, the Company’s 60% joint venture interest was valued at \$16.839 million based on the Parties \$11.25 million cash contribution for a 40% interest. As required under Canadian GAAP, the gain of \$4,614,593 recognized currently by the Company is based on the increase in value of the Company’s investment to the extent of the 40% minority partners’ interest. The Company’s proportionate interest in the assets and liabilities of the CJV at June 30, 2009, consolidated within these financial statements, is as follows:

Cash	\$ 3,756,227
Receivables	70,071
Resource Property Costs	13,664,868
Property, Plant and Equipment	14,971
Liabilities	<u>(667,137)</u>
Net investment	<u>\$ 16,839,000</u>

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009	December 31, 2008
Land	\$ 50,000	\$ 50,000
Building	33,000	33,000
Equipment – wash plant	850,937	850,937
Equipment – mining	199,204	199,204
Vehicles	15,936	-
	<u>\$1,149,077</u>	<u>1,133,341</u>
Office equipment	52,136	30,200
Accumulated Depreciation	<u>(782,044)</u>	<u>(728,137)</u>
	<u>\$419,169</u>	<u>435,204</u>

5. RESOURCE PROPERTY

a) Raven Coal Deposit

During 2008, the Company signed a Sale and Purchase Agreement (“SPA”) with I-Comox Coal Inc., a wholly owned subsidiary of ITOCHU Corporation; and LG International Investments (Canada) Ltd., a wholly owned subsidiary of LG International Corporation (the “Parties”). Under the terms of the SPA, the Company and the Parties formed a joint venture and funded a total of \$11.25 million which includes: a) a lump sum payment to West Fraser Mills (“WFM”) to complete the purchase of approximately 29,000 hectares of WFM’s freehold coal, mineral and gas interests on Vancouver Island; b) a refund to the Company for two prior option payments made to WFM; and c) a lump sum payment of \$7.0 million to the Comox Joint Venture to fund all of the activities necessary to reach a production decision on the Raven Coal Project. Through this funding, the Parties earned a 40% interest in the undersurface rights excluding gas interests, and a 40% interest in the Company’s crown coal licences at the Bear and Raven Coal Projects (“Comox Basin Holdings”).

COMPLIANCE ENERGY CORPORATION
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5. RESOURCE PROPERTY (continued)

The terms of the Joint Venture Agreement (“JVA”) provides for the Company or its subsidiaries to be the Manager and the Operator of any joint venture mining project located within the Comox Basin Holdings and for the Parties to have exclusive global marketing rights to sell coal from the Comox Basin Holdings. The Parties are responsible for arranging debt financing for the development of the Raven Coal Project.

Under the terms of the agreement with WFM, the Vancouver Island properties are subject to a \$0.50 per tonne royalty once production is achieved up to a maximum of \$4,000,000. These future royalty payments would be the responsibility of the created joint venture with the Parties. In addition, the Company paid a total of \$175,000 to an independent third party for the acquisition of ground contiguous to the Raven property.

b) Bear Coal Deposit

The Bear Coal Deposit consists of 8 coal licenses totaling 2,046 hectares. During 2005, the Company exercised its option to acquire the coal licences that cover 100% of the Bear Coal Deposit. 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. During the quarter, this project was contributed to the Comox Joint Venture. (see also note 3 and 5b)

c) Anderson Lake Coal Deposit

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

d) 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.

e) Basin Coal Mine

The Basin Coal Mine consists of 9 coal licenses covering 2,172 hectares, 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 on all coal sold.

During 2008, the company signed a definitive option agreement (“Agreement”) for consideration of cash and shares totaling Cdn \$8.25 million. Under the terms of the Agreement, NWPC Pty Ltd (“NWPC”), a private Australian company, has agreed to an option to purchase the Company’s interest in the mining agreement under which the Company has the right to mine coal at the Basin Coal Mine as well as all remaining assets of the Mine including the 400,000 tonne per year wash plant for \$4.25 million in cash and 22,222,224 shares of a public Australian Company as follows:

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5. RESOURCE PROPERTY (Continued)

- a) An option payment of \$150,000 in cash by December 15, 2008 which has been paid.
- b) An option payment of \$1,000,000 in cash and 7,407,408 shares on or before February 6, 2009 which has been paid.
- c) An option exercise payment of \$3,100,000 in cash plus closing adjustments and 7,407,408 shares on or before May 31, 2010 at which time the Company's interest in the mining agreement would transfer.
- d) 7,407,408 shares on or before the earlier of commencement of coal production and May 31, 2012.

NWPC has identified the public Australian Company as Jameson Resources Limited ("Jameson") of Western Australia. Jameson's shares trade on the Australian Exchange under the symbol JAL. The shares of Jameson may be subject to escrow provision as required by the Australian Exchange.

f) CEC Power Project

During 2006 the Company has an option to purchase or lease 94 hectares of the former Similco mine where the Company is proposing to build a 56 megawatt power plant on a portion of the leased land ("Core Area") from Copper Mountain Mining Corporation ("CMMC"). Under the terms of the agreement the Company has the option to purchase or lease the Core Area from CMMC for \$1 to July 31, 2011. Also during 2006 the Company entered into a power purchase agreement with BC Hydro regarding the supply of power from a to-be-built 56 MW power plant. The Company and BC Hydro have continued to have discussions regarding the issues surrounding the conversion of the project to a biomass plant.

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

	Cumulative to	
	June 30, 2009	December 31, 2008
	<hr/>	
Comox Joint Venture		
Formation of Joint Venture (including valuation adjustment)	5,975,006	-
Deferred Costs	989,868	-
 Bear Coal Deposit		
Acquisition	-	215,000
Deferred Costs	-	938,087
 Raven Coal Deposit		
Acquisition	-	3,711,200
Deferred Costs (net of option payments received)	-	2,449,408
 Wolf Mountain Mine		
Acquisition	50,000	50,000
Deferred Costs	36,518	36,518

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5. RESOURCE PROPERTY (Continued)

	Cumulative to	
	June 30,	December 31,
Other Coal Assets		
Acquisition	\$ -	\$ 252,765
Deferred Costs	-	23,615
Basin Coal Mine		
Deferred Costs (net of valuation adjustment)	8,524,756	8,341,763
Less: start-up Coal Revenue	(7,911,355)	(7,911,355)
Less: option payments received	(1,300,000)	(300,000)
Excess recoveries recorded in operations	777,390	-
CEC Power Project		
Acquisition	-	-
Deferred Costs	2,377,097	2,361,986
	\$ 9,519,280	\$ 10,168,987

6. LONG TERM DEBT

- (a) On December 31, 2004, the Company purchased the joint venture interests of Sojitz Coal Development Corporation and 4056345 Canada Inc for \$700,000. Under the terms of the agreement, \$420,000 was due immediately and of this amount \$60,000 was paid and \$360,000 was deemed paid during 2005. The remaining \$280,000 is included within long term debt and is non-interest bearing and due to be paid out of 50% of the net cash flow of the Basin Coal Mine after capital requirements, the mine is currently on care and maintenance.
- (b) On November 30, 2008 the Company was advanced \$1,830,000 from the funds placed in escrow during the year by ITOCHU Corporation and LG International Investments (Canada) Ltd in connection with the Company's purchase of approximately 29,000 hectares of WFM's freehold coal, mineral and gas interests on Vancouver Island. Under the terms of the agreement, the funds were advanced interest free and in the event that not all of the titles were transferred to the Comox Joint Venture by March 31, 2009 the Company would be obligated to repay the \$1,830,000 on demand. During the six months ended June 30, 2009 the Company completed the transfer of titles as required under the agreement which eliminated the Company's obligation to repay \$1,830,000. (See also note 5(a)).

7. CAPITAL STOCK

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

COMPLIANCE ENERGY CORPORATION
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7. CAPITAL STOCK (Continued)

(b) Issued

	Common Shares	Amount	Contributed Surplus
Issued at December 31, 2008	47,446,783	\$ 16,930,649	\$ 1,104,035
Non-Cash items:			
Stock-based compensation	-	-	13,899
Shares issued for cash	-	-	-
Issued at June 30, 2009	47,446,783	\$ 16,930,649	\$ 1,117,934

(c) Stock Options

As at June 30, 2009, the Company has reserved stock options to directors, officers and employees enabling them to acquire up to 4,605,000 common shares as follows:

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
Options outstanding	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning of period	4,480,000	\$ 0.65	4,660,000	\$ 0.70
Granted during year	225,000	\$ 0.11	800,000	0.11
Expired during year	(100,000)	0.84	(980,000)	0.44
End of year	<u>4,605,000</u>	\$ 0.11	<u>4,480,000</u>	\$ 0.65

The weighted-average remaining life of options outstanding at June 30, 2009 is 3.43 years.

	Options	
Expiry	Outstanding	Price
Mar-14	775,000	0.11
Feb-13	505,000	0.11
Nov-13	1,500,000	0.11
Feb-15	800,000	0.11
Nov-13	800,000	0.11
Mar - 15	75,000	0.11
May-15	100,000	0.11
May-14	50,000	0.11
	<u>4,605,000</u>	

COMPLIANCE ENERGY CORPORATION
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8. 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.

- (a) During the six months ended June 30, 2009, the Company paid one of its officers management and administration fees aggregating \$30,690 during the period ended June 30, 2009 (period ended June 30, 2008 - \$30,690).
- (b) During the year, the Company repaid the demand loan held by Copper Mountain Mining Corporation. The payment totaled \$441,803 and included \$400,000 of principal and \$41,803 of interest. All interest was accrued to February 13, 2009. The loan was secured by the equivalent value of common shares of CMMC owned by the Company, with the loan bearing an interest rate of prime plus 1%.