

COMPLIANCE ENERGY CORPORATION

FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2002**

COMPLIANCE ENERGY CORPORATION
BALANCE SHEET

	September 30, 2002	December 31, 2001
ASSETS		
Current Assets		
Cash	\$ 619,799	\$ 39,081
Accounts receivable and prepaid expenses	46,243	11,364
Loan to Digital Pioneer Technologies Corp	-	25,000
Prepaid expenses	-	10,000
	666,042	85,445
Deferred charges	-	184,101
Fixed assets	723,584	-
	\$ 1,389,626	\$ 269,546
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 111,389	\$ 40,636
SHAREHOLDERS' EQUITY		
Share Capital	822,636	257,788
Contributed Surplus	933,333	-
Deficit	(477,731)	(28,878)
	1,278,238	228,910
	\$ 1,389,626	\$ 269,546

Continuance of operations (Note 2)

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
STATEMENT OF OPERATIONS AND DEFICIT

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
EXPENSES				
Professional fees	\$ 35,717	\$ 300	\$ 40,217	\$ 28,315
General & admin	14,227	2,085	18,253	4,798
Filing fees	7,570	983	17,867	3,797
Shareholder communications	120	-	801	-
Transfer	-	-	-	98
Due diligence costs	20,504	-	25,589	-
Write off of deferred costs	-	-	111,608	-
Net loss before interest income	78,138	3,368	214,335	37,008
Interest income	-	-	19	2,357
Loss for the period	78,138	3,368	214,316	34,651
DEFICIT, BEGINNING OF PERIOD	165,056	46,713	28,878	15,430
Adjustment for Compliance Coal RTO transaction	234,537	-	234,537	-
DEFICIT, END OF PERIOD	\$ 477,731	\$ 50,081	\$ 477,731	\$ 50,081
LOSS PER SHARE	\$ 0.03	\$ 0.00	\$ 0.08	\$ 0.01

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
STATEMENT OF CASH FLOWS

	Three Months Ended September 30, 2002	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
OPERATING ACTIVITIES				
Loss for the period	(78,138)	(3,368)	(214,316)	(34,651)
Add Back: Write off of deffered costs	-	-	111,608	-
Add Back: deficit RTO effect	(234,537)		(234,537)	
Net change in non-cash working capital items	15,697	(15,096)	70,874	(37,957)
	(296,978)	(25,883)	(266,371)	(72,608)
INVESTING ACTIVITIES				
Purchase of capital assets	(723,584)	-	(723,584)	-
Payment of deferred costs	72,493	(8,118)	72,493	(115,558)
	(651,091)	(8,118)	(651,091)	(115,558)
FINANCING ACTIVITIES				
Formation of CBC Joint Venture	933,333	-	933,333	-
Shares issued for cash (net of issue costs)	564,848	-	564,848	-
	1,498,181	-	1,498,181	-
CHANGE IN CASH	550,111	(26,582)	580,718	(188,166)
CASH, BEGINNING OF PERIOD	69,688	80,609	39,081	242,193
CASH, END OF PERIOD	619,799	54,027	619,799	54,027

The accompanying notes are an integral part of this financial statement

COMPLIANCE ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

1. INCORPORATION

The Company was incorporated under the provisions of the Province of British Columbia on July 6, 2000 as 610230 B.C. Ltd. and changed its name to Beanstalk Capital Corporation on July 27, 2000. On August 30, 2002 the Company acquired all of the issued and outstanding share of Compliance Coal Corporation. This transaction was accounted for as a reverse take over by Compliance Coal Corporation of the Company and as part of the process of the transaction the Company changed its name to Compliance Energy Corporation.

These consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiary Compliance Coal Corporation ("Compliance Coal"). All significant intercompany balances and transactions have been eliminated on consolidation. Effective August 30, 2002, the Company acquired 100% of the issued and outstanding shares of Compliance Coal. Compliance Coal's main asset is its 65% interest in the Compliance Basin Coal Joint Venture.

These interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. These consolidated financial statements are based on accounting principles and practices consistent with those used in the preparation of the Company's annual consolidated financial statements. Certain information and footnote disclosure normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim period consolidated financial 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 consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The going concern is dependent on the Company's ability to generate future profitable operations and 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 payable. Should the going concern assumption not be appropriate, the carrying value and classification of assets and liabilities would change and that change could be material. It is not possible to predict the outcome of those matters at this time.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

COMPLIANCE ENERGY CORPORATION
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(b) Loss Per Share

Loss per share is computed using the weighted average number of common shares outstanding during the year. Fully diluted loss per share is not presented because it is anti-dilutive.

4. 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
	<u> </u>	<u> </u>
Seed shares issued at incorporation	1,350,000	\$ 101,250
Initial public offering	1,350,000	202,500
Share issue costs	-	(45,962)
Issued as at December 31, 2001 and June 30, 2002	<u>2,700,000</u>	<u>\$ 257,788</u>
Consolidation of share capital	(1,350,000)	-
Shares issued on acquisition of Compliance Coal	<u>14,837,500</u>	<u>564,848</u>
Issued as at September 30, 2002	<u>16,187,500</u>	<u>822,636</u>

(c) Escrowed Shares

The common shares issued at incorporation (675,000 common shares post-consolidation) and 10,873,684 common shares issued on the acquisition of Compliance Coal have been placed in escrow 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.

5. AMALGAMATION AGREEMENT

i) Digital Qualifying Transaction Terminated

On April 30, 2001, the Company completed an amalgamation agreement (“the Agreement”) with the shareholders of Digital Pioneer Technologies Corp. (“Digital”), a BC-based private company.

COMPLIANCE ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

5. AMALGAMATION AGREEMENT (cont'd)

Concurrent with entering into the agreement, the Company advanced Digital \$25,000 by way of loan, which bears interest at a rate of 12% per annum. As a condition of closing the agreement and making the amalgamation effective, the Company has committed to use its best efforts to arrange an equity financing to raise a minimum of \$500,000. Digital has also committed to use its best efforts to arrange an equity financing for gross proceeds of \$600,000 at \$0.55 per share.

The agreement is expected to constitute the Company's "Qualifying Transaction" as defined in listings policy 2.4 of the Canadian Venture Exchange. The Company anticipates that it will be accounted for using principles applicable to reverse takeovers, as the current shareholders of Digital will control the consolidated entity upon the successful completion of the amalgamation.

On the effective date of the amalgamation every three issued and outstanding shares of the Company will be exchanged for two shares of Amalco and one share of Amalco will be issued in exchange for every one outstanding common share of Digital, and the Company will change its name to Digital Pioneer Technologies Corp.

The amalgamation has been approved by the shareholders of the Company and the shareholders of Digital, and requires the formal approval of the applicable regulatory authorities and the courts of the Province of British Columbia.

In the event the amalgamation is not effective on or before March 31, 2002, the Agreement will terminate unless the Company and Digital agree in writing to extend it. If, for any reason, the amalgamation is not effective on March 31, 2002, and it is not extended beyond that date, the Company shall be entitled to receive from Digital a \$75,000 breakup fee. The break-up fee is due on the earlier of March 31, 2002 or 30 days subsequent to its termination by either the Company or Digital prior to March 31, 2002. Subsequent to March 31, 2002, the Company was advised by Digital Pioneer Technologies Corp. ("Digital"), that Digital had elected not to proceed with another extension of the amalgamation agreement. Digital advised that they have chosen not to go public at this time and the merger between Digital and the Company is now terminated.

As a result of this termination of the Qualifying transaction by Digital, the Company received full repayment of the \$25,000 loan advanced to Digital, \$3,000 in interest on this loan and a \$75,000 breakup fee. The \$75,000 breakup fee and \$3,000 in interest revenue were used to reduce the deferred financing costs of \$165,357 at March 31, 2002. The remaining Deferred Financing Costs of \$87,357 were written off during the quarter.

ii) Compliance Coal Qualifying Transaction Completed

On May 7, 2002, the Company announced that it had entered into an agreement in principle to acquire all of the issued and outstanding shares of Compliance Coal Corporation ("Compliance Coal"), a private company based in Vancouver, BC. Compliance Coal Corporation was formed to evaluate and develop the Basin Coal Property located 300 kilometers east of Vancouver near Princeton B.C. Compliance Coal has the right to develop and mine the coal from nine coal licenses covering 2,172 hectares.

COMPLIANCE ENERGY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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5. AMALGAMATION AGREEMENT (cont'd)

The agreement constituted the Company's "Qualifying Transaction" as defined in listings policy 2.4 of the TSX Venture Exchange. The Company has accounted for the transaction using the principles applicable to reverse takeovers, as the current shareholders of Compliance now control the Company.

Under the agreement in principle dated May 2, 2002 between the Company and Compliance Coal, the Company purchased 100% of the issued and outstanding shares of Compliance Coal for Cdn \$5.5 million, payable in shares of the Company. The Transaction Shares issued to "Principals" (as defined by TSX policy) are subject to time-release escrow restrictions in accordance with the policies of the TSX. (see also note 4).