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Energy
Coal
(TSXV-CEC)

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**JC. (Jim) O'Rourke, P. Eng.
President and CEO**

**Interview conducted by:
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**JC. (Jim) O'Rourke, P. Eng.
President and CEO**

Mr. O'Rourke graduated from the University of British Columbia with a B.A.Sc. in Mining Engineering. Over the next 14 years, Mr. O'Rourke was involved in the start up of a number of major mines including Gilbralter, Marcopper, and Endako while working with Placer Development Limited.

He has over 30 years of hands on experience in mine evaluation, financing, development, operations and marketing in Canada, the United States, South American and the Philippines. Prior to his retirement, Mr. O'Rourke was responsible for the acquisition, evaluation, financing and development of the \$140 million Huckleberry open pit copper mine in Northern British Columbia.

Company Profile:

Compliance Energy Corporation ("Compliance") is a Canadian coal mining company engaged in the development of the coal resources in British Columbia with a number of very promising early stage projects, and has plans of become an independent power producer in the near future

Compliance is headquartered in Vancouver, British Columbia and its common shares trade on the TSX Venture Exchange under the symbol CEC.

The primary objective of Compliance is to deliver superior financial growth in the coal and energy sectors for our shareholders. We also believe in responsible stewardship and manage Compliance with the utmost integrity based upon the practice of providing plain, true and clear information to our shareholders. The diversity and depth of our Management and Board of Directors, and Advisory Board provides Compliance with expertise and focus that is expected to result in higher value for our shareholders.

CEOCFOinterviews: Mr. O'Rourke, will you tell us about your background with Compliance?

Mr. O'Rourke: "We started as a private company in 2001. We took on the Basin Coal project and developed it through feasibility studies as a private company. We then signed a joint venture agreement with Nissho Iwai, a major trading company out of Japan, who funded the development and the wash plant facilities. We constructed it and last year was our first year of supplying our customers. The prior year we did some test shipments to them and obtained their acceptability of our product. When we did the joint venture with Nissho Iwai in 2002, we became listed as a new public company."

CEOCFOinterviews: What are you doing and where are you doing it?

Mr. O'Rourke: "We have four areas of focus. Number one is the Basin Coal Project, which is near Princeton, B.C. This is

an operating open pit coal mine with a large resource; the BC government reported a 240 million ton resource. We are presently mining on the western flank a ten million ton initial Pit, with a low strip ratio. We have a wash plant, which has the processing capacity of about 400 thousand tonnes per year. At the site, the area has good exploration potential to extend the Pit along STRIKE. We have a large supply of coal there. In addition, we have the coalbed methane rights to the basin coal project. These rights are in a joint venture with the local Indian Band.

Our second area of focus is also at the basin coal area and is the development of a 49-megawatt wood waste / coal powered plant. We have a unique situation in that we have secured a former minesite, which has significant infrastructure and the power line connections in place to significantly reduce the capital costs for this power plant. Coal for the plant would be supplied from our basin coal mine.

Thirdly the company has secured holdings on Vancouver Island, where we have a metallurgical coal project named the Bear. This project has a drilled resource of about 28.6 millions tons of which about 8.6 would be open pit mineable. That project is in the development phase.. We are currently looking to define in more detail the open pit area and we plan to start trenching and doing our development work early this year. We are hoping we can do test shipments to potential customers and develop markets to move the Bear project forward. We plan to have a feasibility study completed on the Bear metallurgical coal project by the end of this year.

Lastly, we have another interest on Vancouver Island in a developed thermal coal deposit of about two million tons. This project is readily accessible to the ocean and facilities that could service customers on the coastline.”

CEOCFOinterviews: What are the advantages of coal mining in the geographical areas you have chosen?

Mr. O'Rourke: “The main advantage is that we have the deposits and assets. The metallurgical coal on Vancouver Island is

relatively close to tidewater and a port and that is very significant. With the upswing in the prices for metallurgical coal in recent months, this makes an attractive potential project.”

CEOCFOinterviews: What are you doing that is different?

Mr. O'Rourke: “We are a small growth orientated company with little overhead. We have managed to put together an extremely experienced and strong team with an entrepreneurial approach. We do have extensive open pit mining experience and many years of successful operation within the group.”

CEOCFOinterviews: Who is buying your coal?

Mr. O'Rourke: “From the basin project, we are selling to cement companies. We have one cement company quite close to us and then the others are on the coast.

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- JC. (Jim) O'Rourke, P. Eng.

The local Pacific Northwest Coal market is somewhere around 700,000 tons a year. Also on the coast, we are looking to export coal to the Far East.”

CEOCFOinterviews: What is demand like there?

Mr. O'Rourke: “The demand for both thermal and metallurgical coal has been very strong. In the past year, there has been a big shift and prices have reflected that. The metallurgical coal has bounced from the \$70 dollars per tonne range to \$125 dollars per tonne. Thermal coal has gone from the \$40 dollar to the \$50 dollar per tonne range. There have been strong demand and some very attractive increased prices.”

CEOCFOinterviews: There is often cyclicity in the price of coal. How do you take that into account?

Mr. O'Rourke: “Definitely, historically there has been some downturn in the coal market. Both of our operations we see as being open pit operations and very cost competitive. The markets themselves, I do not know what peoples' views are on the expansion in Asia but it seems that China and India have an extremely strong appetite for the near future for both thermal coal and metallurgical coal. We do not see a big downturn in the near future. It takes time for new projects to be developed to production. The demand is there and growing at a greater rate than new coal can be developed.”

CEOCFOinterviews: What are the advantages of partnering with a Japanese company?

Mr. O'Rourke: “Initially, we started as a private company and went public. At the time, the big advantage was that they funded the capital expenditures and decreased the capital needs that we require from equity markets, which was better for our shareholders.”

CEOCFOinterviews: What is your financial condition now?

Mr. O'Rourke: “We continue with the Japanese partner, so it is a joint venture where we are both fund our proportionate share. We have done some equity funding and are in the process of completing a \$5 million dollar private placement. We do

the minimum amount and utilize some debt financing to ensure we meet our objective.”

CEOCFOinterviews: Is there additional infrastructure that you need to put in place?

Mr. O'Rourke: “At our basin coal project, we have the infrastructure. We have just finished purchasing a fleet of mining equipment including three rock trucks, bulldozers, loaders and support equipment. We have all that in place. With regards to the metallurgical coal project on Vancouver Island, it is in the development and evaluation stage. We will need capital to develop that project.”

CEOCFOinterviews: Why should potential investors look at Compliant as opposed to some of the other companies around?

Mr. O'Rourke: "I think the main advantage is that Compliance has recently developed a coal mine operation and we are shipping processed coal. In comparison to our peers, our market capitalization is relatively low in terms of our resource and production. We are probably about one tenth of some of the peers' market capitalization, thus leaving room for capital appreciation."

CEOCFOinterviews: What challenges

do you see ahead and how are you ready?

Mr. O'Rourke: "We are depending on the metallurgical project turning out the way that it is projected to and in advancing our power plant. We are also dependent on sales for the power and sales for coal from the metallurgical and thermal operation. Our main challenge is securing sales to meet our objectives."

CEOCFOinterviews: In closing, is reaching potential investors a focus for

you?

Mr. O'Rourke: "Definitely yes, we would like to have a strong investor base to join us as we develop the company. Our intention is to grow the company. All of the staff here are shareholders in it. We would like to see other people come along with us and grow with us."



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