Compliance Energy Corporation

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE & NINE MONTHS ENDED
SEPTEMBER 30, 2015

(Expressed in thousands of Canadian Dollars)
(Unaudited)

COMPLIANCE ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in thousands of Canadian Dollars, except per share information)

	Note		As at September 30, 2015		As at December 31, 2014
ASSETS					
Current assets					
Cash		$	-	$	45
Accounts receivable and prepaid expenses			7		21
			7		66
Non-current assets					
Reclamation deposits	4		327		318
Property, plant and equipment	3		19		19
Exploration and evaluation assets	4		5,694		5,973
Total assets		$	6,047	$	6,376
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	538	$	1,047
Related party loan			250		-
Non-current liabilities					
Decommissioning obligation	4		277		277
			1,065		1,324
EQUITY					
Share capital	5		22,903		22,903
Reserves	5		1,727		1,727
Deficit			(19,648)		(19,578)
			4,982		5,052
Total equity and liabilities		$	6,047	$	6,376

Approved on behalf of the Board:

"Jamieson Merritt"	**Director**	**"Paul Willis"**	**Director**
Jamieson Merritt		**Paul Willis**	

The accompanying notes are an integral part of these consolidated financial statements.

COMPLIANCE ENERGY CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in thousands of Canadian Dollars, except per share information)

			Three months ended September 30,		Nine months ended September 30,	
	Note		**2015**	**2014**	**2015**	**2014**
Expenses						
General and administrative expenses	10	$	41	41	94	174
Operating loss			41	41	94	174
Interest and other income			-	12	24	68
Write-down of exploration & evaluation assets			-	-	-	(3)
Net loss before tax			**(41)**	**(29)**	**(70)**	**(109)**
Income tax expense			-	-	-	-
Net loss after income tax			**(41)**	**(29)**	**(70)**	**(109)**
Basic and diluted loss per common share		**$**	**0.00**	**0.00**	**0.00**	**0.00**
Weighted average number of shares used to calculate loss per share basic and diluted	5		7,813,928	71,209,871	7,813,928	71,209,871

The accompanying notes are an integral part of these consolidated financial statements.

COMPLIANCE ENERGY CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in thousands of Canadian Dollars)

	Note		Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flows from operating activities						
Net loss for the year		$	(41)	(29)	(70)	(109)
Items not involving cash:						
Amortization			-	-	1	2
Share-based payments			-	1	-	6
Write-down of exploration & evaluation assets			-	-	-	3
			(41)	(28)	(69)	(98)
Changes in non-cash working capital items						
Accounts receivable and prepaid expenses			(2)	(1)	14	(5)
Accounts payable and accrued liabilities			(497)	23	(510)	112
			(499)	22	(496)	107
Net cash used in operating activities			(540)	(6)	(565)	9
Cash flows from investing activities						
Reclamation bonding			-	-	(9)	-
Exploration and evaluation assets, net of recoveries			474	(158)	279	(546)
Net cash used in investing activities			474	(158)	270	(546)
Cash flows from financing activities						
Related party loan	6		66	-	250	-
Common Shares issued for cash net of costs			-	-	-	342
Net cash provided by financing activities			66	-	250	342
DECREASE IN CASH			-	(164)	(45)	(195)
CASH, BEGINNING OF PERIOD			-	176	45	207
CASH, END OF PERIOD		$	-	12	-	12

The accompanying notes are an integral part of these consolidated financial statements.

COMPLIANCE ENERGY CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in thousands of Canadian Dollars)

		Share Capital		Reserves					
		Number of Common Shares	**Amount**	**Equity-Settled Employee Benefits**	**Warrants**	**Available-for-Sale Financial Assets**	**Total Reserves**	**Deficit**	**Total Equity**
Balance January 1, 2015		**78,139,283**	**$ 22,903**	**$ 1,727**	**$ -**	**$ -**	**$ 1,727**	**$ (19,578)**	**$ 5,052**
Share-based payments		-	-	-	-	-	-	-	-
Net loss for the year		-	-	-	-	-	-	(70)	(70)
Share rollback (10 to 1)	Note 5	(70,325,355)	-	-	-	-	-	-	-
Balance September 30, 2015		**7,813,928**	**$ 22,903**	**$ 1,727**	**$ -**	**$ -**	**$1,727**	**$ (19,648)**	**$ 4,982**
January 1, 2014		**62,939,283**	**$ 22,561**	**$ 1,721**	**$ -**	**$ -**	**$ 1,721**	**$ (9,043)**	**$(15,239)**
Private placement		15,200,000	342	-	-	-	-	-	342
Share-based payments		-	-	6	-	-	6	-	6
Net loss for the year		-	-	-	-	-	-	(109)	(109)
Balance September 30, 2014		**78,139,283**	**$22,903**	**$1,727**	**$ -**	**$ -**	**$1,727**	**$ (9,152)**	**$(15,478)**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Compliance Energy Corporation (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration and development of resource properties. The address of the Company's head office is 550 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

The Company is an exploration and development company working on resource properties it has staked or acquired, principally on Vancouver Island. The Company defers all acquisition, exploration and development costs related to the properties on which it is conducting exploration and predevelopment. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of its resource properties, and future profitable production, or alternatively, upon the Company's ability to dispose of its resource properties on a profitable basis.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and does not currently have any revenue generating operations. The Company has an accumulated deficit of $19,648 as at September 30, 2015 (2014 - $9,152) and incurred an operating loss of $94 for the period ended September 30, 2015 (2014 - $174). The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. The Company is working with its partner as well as exploring other financing options to continue to fund development and environmental permitting. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These condensed consolidated financial statements were approved for issue on November 27, 2015 by the Board of Directors. Statement of Compliance with International Financial Reporting Standards

(b) Basis of Preparation

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments classified as available-for-sale, which have been measured at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow

2. BASIS OF PRESENTATION (Continued)

information. These Financial Statements, including comparatives, have been prepared on the basis of IFRS standards that are effective as at December 31, 2014.

(c) Significant Accounting Judgments and Estimates

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Critical Judgments

Judgments that have the most significant effect on the amounts recognized in the Financial Statements are as follows. The Company:

- capitalizes its exploration and evaluation costs. The Company needs to apply judgement as to the carrying value of the exploration and evaluation assets and the recoverability of the carrying value which are included in the consolidated statement of financial position;
- uses judgement in determining the extent and completeness of its decommissioning obligations; and
- decided not to recognize deferred tax assets consisting of Canadian exploration expenses and unused tax losses and considered it not to be probable that taxable income will be available in the near future to offset these deferred tax assets.

Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the date of the consolidated statement of financial position, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the consolidated statements of financial position;
- the fair value of the marketable securities and the recoverability of the carrying value which are included in the consolidated statements of financial position;
- the Company estimates its coal and ore reserves and coal and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 *Standards for Disclosure of Mineral Projects*. Reserves are used in the calculation of amortization, impairment assessment and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs. There are numerous uncertainties inherent in estimating coal and ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated;

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated)

2. BASIS OF PRESENTATION (Continued)

(c) Significant Accounting Judgments and Estimates (continued)

- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related amortization included in the consolidated statements of net loss and comprehensive loss for the period;
- the estimates of the fair value less costs to sell of the Company's exploration and evaluation assets;
- the provision for deferred income taxes;
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statements of financial position;
- the inputs used in accounting for share purchase option expense in the consolidated statements of net loss and comprehensive loss; and
- the inputs used in determining the net present value of the liabilities for decommissioning obligations included in the consolidated statements of financial position.

(d) Approval of Financial Statements

These Financial Statements for period ended September 30, 2015 were approved and authorized for issue by the Audit Committee and Board of Directors on November 27, 2015.

3. PROPERTY, PLANT AND EQUIPMENT

	Vehicles	Office and Equipment	Total
Cost			
Balance as at December 31, 2014	18	56	74
Additions	-	-	-
Disposals	-	-	-
Balance as at September 30, 2015	**$ 18**	**$ 56**	**$ 74**

	Vehicles	Office and Equipment	Total
Accumulated amortization			
Balance as at December 31, 2014	10	45	55
Amortization and impairment for the year	1	-	1
Disposals	-	-	-
Balance as at September 30, 2015	**$ 11**	**$ 45**	**$ 56**

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Vehicles	Office and Equipment	Total
Carrying Amounts			
Balance as at December 31, 2014	$ 8	$ 11	$ 19
Balance as at September 30, 2015	**$ 7**	**$ 11**	**$ 18**

4. EXPLORATION AND EVALUATION ASSETS

	Balance January 1, 2014	Expenditures 2014	Ownership Amendments 2014	Impairments 2014	Balance December 31, 2014	Expenditures 2015	Ownership Amendments 2015	Balance September 30, 2015
a) Comox Joint Venture								
Formation costs and advance royalties capitalized	$1,279	$ -	$-	$ (1,279)	$-	$-	$-	$-
Capitalized costs	14,168	477	882	(9,554)	5,973	342	(621)	5,694
b) Other Coal and other Assets								
Acquisition	63	-	-	(63)	-	-	-	-
Capitalized costs	303	-	-	(303)	-	-	-	-
Total Resource Properties	$15,813	$477	$882	$(11,199)	**$5,973**	$342	$(621)	**$5,694**

a) Comox Joint Venture ("CJV")

In 2008, the Company signed a Sale and Purchase Agreement ("SPA") with I-Comox Coal Inc., a wholly-owned subsidiary of ITOCHU Corporation ("ITOCHU"); and LG International Investments (Canada) Ltd., a wholly-owned subsidiary of LG International Corporation ("LGI") (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 included: a) a lump sum payment of $3.05 million to complete the purchase of approximately 29,000 hectares of freehold coal, mineral and gas interests on Vancouver Island; b) a refund to the Company of $1.2 million for two prior option payments made; and c) a lump sum payment of $7.0 million to the CJV to fund exploration and development activities. Through their funding payments, 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").

The Parties executed a joint venture agreement, a management and operations services agreement, and a marketing services agreement in February 2009. These provide 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.

4. EXPLORATION AND EVALUATION ASSETS (Continued)

The CJV properties are subject to a $0.50 per tonne royalty once production is achieved up to a maximum of $4,000. These future royalty payments would be the responsibility of the created joint venture with the Parties.

In May 2010, the Parties contributed an additional $1,279 to the joint venture to fund additional public consultation and environmental studies and scope changes to feasibility studies. In 2011 and 2012, the Parties contributed an additional $10,164 to the CJV and continued working on public consultation and environmental studies in preparation for the filing of its environmental assessment. During the year ended December 31, 2014, ITOCHU officially withdrew from the CJV. LGI officially withdrew from the CJV during the third quarter ending September 2015. The exiting of ITOCHU and LGI increased the Company's interest in the CJV to 100% (2014 -75%).

The Bear Coal Deposit consists of eight coal licenses totalling 2,046 hectares. During 2005, the Company exercised its option to acquire coal leases that covers 100% of the Bear Coal Deposit. Under the terms of the agreement, the Company paid a total of $215 and granted a royalty of 2.5% of the coal sales, freight on board ("FOB") mine site.

The Company holds $15 (2014 - $15) and the CJV has $26 in asset retirement bonding held in safekeeping at a bank for reclamation (2014 - $26).

In accordance with the Company's accounting policy, each asset is evaluated at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount.

At December 31, 2014, management of the Company determined that the continued decline in the market price of coal constituted an impairment indicator, and completed an impairment assessment of the Bear and Raven coal projects. These estimated recoverable amounts were based on the estimated fair value less costs to sell for similar coal assets. The assessment indicated that the carrying amounts of the Bear and Raven projects exceeded the recoverable amount. Accordingly, the Company recognized an impairment charge of $9,554 in the consolidated statement of loss and comprehensive loss.

b) Other Coal and Other Assets

During 2005, the Company entered into an agreement to acquire 100% of the crown coal rights application that cover approximately 1,938 acres on Vancouver Island, known as the Anderson Lake Coal Deposit. Under the terms of the agreement, the Company has paid a total of $50 for the acquisition. The property is not subject to a royalty.

The Company has incurred certain deferred costs related to the Raven Coal Project which were not directly related to the CJV. These costs are included as part of Other Coal Assets. The annual holding costs of these properties are capitalized. During the year ended December 31, 2014, management decided it would not continue exploration and evaluation of these properties and accordingly the Company has written down the properties from $366 to $Nil.

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

The Company has $277 in asset retirement bonding held in safekeeping at a bank for reclamation (2014 - $277) related to a former mining property held by the Company, the Basin Coal Mine. In July 2011, the Basin Coal Mine Permit was transferred to an unrelated third party and the funds held under safekeeping were returned to the Company and replaced by a standby letter of credit until replacement safekeeping arrangements can be made by the third party.

5. CAPITAL AND RESERVES

(a) Authorized Share Capital

The authorized share capital is 1,000,000,000 common shares and 20,000,000 preferred shares without par value.

(b) Share Consolidation

On July 31, 2015 the Company completed a share capital consolidation on the basis of one (1) new common share without par value for every ten (10) existing common share without par value. There were 78,139,283 common shares without par value issued and outstanding and following the share consolidation there was 7,813,928 common shares without par value issued and outstanding. The share consolidation was approved by the shareholders of the Company at the annual and special meeting held on June 26, 2015.

(c) Share Purchase Option Compensation Plan

The continuity of share purchase options are as follows:

Expiry date	Exercise Price	December 31, 2014	Granted	Exercised	Cancelled/ Expired	September 30, 2015
February 24, 2015	$ 1.10	80,000	-	-	(80,000)	-
June 23, 2015	$ 2.50	15,000	-	-	(15,000)	-
April 20, 2016	$ 4.90	29,500	-	-	-	29,500
February 13, 2017	$ 2.80	44,000	-	-	-	44,000
May 17, 2017	$ 2.00	5,000	-	-	-	5,000
June 20, 2017	$ 1.50	10,000	-	-	-	10,000
October 10, 2017	$ 1.00	15,000	-	-	-	15,000
May 31, 2018	$ 1.10	5,000	-	-	-	5,000
June 20, 2018	$ 1.10	10,000	-	-	-	10,000
Options outstanding and exercisable		213,500	-	-	(95,000)	118,500
Weighted average remaining contractual life (years)		1.32				3.01
Weighted average exercise price		$ 2.10				$2.60

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated)

6. 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.

1. During the nine months ended September 30, 2015, the Company paid $Nil to private companies (2014 - $33) controlled by a now former employee for minimum royalties on resource properties.

2. During the nine months ended September 30, 2015, the Company had a loan receivable for additional contributions into the CJV of $4,701as at September 30, 2015 (2014 – $4,615).

3. On March 12, 2015, the Company arranged a loan in the principal amount of $200 to its wholly-owned subsidiary Compliance Coal Corporation (the "Borrower"). The lender is (the "Lender") a director of both the Company and the Borrower. The loan bears interest at rate of 10% per annum calculated monthly and compounded monthly. The loan and all accrued interest will be payable by the Borrower to the Lender on December 31, 2015. The loan is secured by a security interest over the assets of the Borrower. The Company has guaranteed the loan and the guarantee is secured by a security interest over the assets of the Company. Loan proceeds will be used for working capital. As of September 30, 2015 the Company has drawn $200 of the loan and accrued interest of $10.

4. Compensation of key management:

   Key management includes the Company's directors and officers. Compensation awarded to key management includes:

		Three months ended September 30,			Nine months ended September 30,	
		2015	**2014**		**2015**	**2014**
Salaries	$	-	50	$	88	149
Share-based compensation		-	1		-	6
	$	**-**	**51**	**$**	**88**	**155**

7. INCOME (LOSS) PER SHARE

	For the three months ended September 30,					
	2015			**2014**		
(In thousand of dollars)	Loss (Numerator)	Shares (Denominator)	Per-Share Amount $	Income (Numerator)	Shares (Denominator)	Per-Share Amount $
Income (loss)	$(41)			$(29)		
Basic (loss) income per share	$(41)	7,813,928	$0.00	$(29)	71,209,871	$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Diluted (loss) income per share	$(41)	7,813,928	$0.00	$(29)	71,209,871	$ 0.00

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated)

	For the nine months ended September 30,					
	2015			2014		
(In thousand of dollars)	Loss (Numerator)	Shares (Denominator)	Per-Share Amount $	Income (Numerator)	Shares (Denominator)	Per-Share Amount $
Income (loss)	$(70)			$(109)		
Basic (loss) income per share	$(70)	7,813,928	$0.00	$(109)	71,209,283	$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Diluted (loss) income per share	$(70)	7,813,928	$0.00	$(109)	71,209,283	$ 0.00

Income (loss) represents income (loss) attributable to equity holders of the Company.

8. APPROVAL OF FINANCIAL STATEMENTS

These condensed consolidated interim financial statements for nine months ended September 30, 2015 were approved and authorized for issue by the Audit Committee and Board of Directors on November 27, 2015.

9. EVENTS AFTER THE REPORTING PERIOD

None

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Amortization	$ -	$ -	$ 1	$ 2
Consulting fees	-	5	-	31
Professional fees	23	-	39	-
Transfer agent fees and filing fees	12	8	18	20
Travel	-	-	-	-
Shareholder communications	1	-	9	2
Office and other expenses	5	33	29	111
Wages and salaries	-	(6)	(2)	2
Share-based payments	-	1	-	6
	$ 41	**$ 41**	**$ 94**	**$ 174**