

Consolidated Financial Statements of

BENCHMARK ENERGY CORP.

Six months ended December 31, 2007 and 2006

The accompanying unaudited financial statements of Benchmark Energy Corp. for the six months ended December 31, 2007 have been prepared by management and approved by the Board of Directors of the Company. The Company's external auditors have not reviewed these statements.

BENCHMARK ENERGY CORP.

Consolidated Balance Sheets

	December 31, 2007	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 368,483	\$ 441,844
Cash held in escrow	–	10,729,108
Accounts receivable	59,112	51,651
Deposits and prepaid expenses (note 4)	54,358	10,585
	<u>481,953</u>	<u>11,233,188</u>
Loan receivable (note 5)	454,462	659,456
Property and equipment (note 6)	1,021,384	471,885
	<u>\$ 1,957,799</u>	<u>\$12,364,529</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 376,980	\$ 473,152
Loan payable	–	9,655,208
	<u>376,980</u>	<u>10,138,360</u>
Shareholders' equity:		
Common shares and warrants (note 7)	7,057,245	6,461,025
Contributed surplus (note 8(c))	834,623	955,235
Deficit	(6,311,048)	(5,190,091)
	<u>1,580,819</u>	<u>2,226,169</u>
Going concern (note 2)		
Commitments (note 10)		
	<u>\$ 1,957,799</u>	<u>\$12,364,529</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Larry Youell"

Larry Youell

Director

"Chris Cooper"

Chris Cooper

Director

BENCHMARK ENERGY CORP.

Consolidated Statements of Operations and Deficit

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Six months ended December 31, 2007	Six months ended December 31, 2006
Expenses (income)				
General and administrative (note 8(b))	\$ 528,244	\$ 234,936	\$ 1,210,165	\$ 535,112
Interest and bank charges	1,139	–	–	–
Depreciation	1,455	826	2,672	1,652
Interest income	(32,553)	(7,500)	(94,286)	(15,000)
Net loss for the period	(498,286)	(234,289)	(1,120,957)	(521,764)
Deficit, beginning of period	(5,812,762)	(1,918,425)	(5,190,091)	(1,630,950)
Deficit, end of period	\$ (6,311,048)	\$ (2,152,714)	\$ (6,311,048)	\$ (2,152,714)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.03)
Weighted average number of Shares outstanding – basic and diluted	22,797,747	17,201,431	23,149,126	17,201,431

See accompanying notes to consolidated financial statements.

BENCHMARK ENERGY CORP.

Consolidated Statements of Cash Flows

	Three months ended December 31, 2007	Three months ended December 31, 2006	Six months ended December 31, 2007	Six months ended December 31, 2006
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (498,286)	\$ (234,289)	\$ (1,120,957)	\$ (521,764)
Items not involving cash:				
Stock based	212,152	–	233,393	25,647
Depreciation	1,455	826	2,672	1,652
Foreign exchange gain	–	–	–	(585)
Changes in non-cash working capital (note 11)	(322,620)	(14,279)	(147,406)	(71,343)
	(607,300)	(247,742)	(1,032,299)	(566,393)
Investing activities:				
Additions to property and equipment	(548,780)	–	(552,171)	(5,168)
Return of cash held in escrow	10,729,108	–	10,729,108	–
Loan advanced	(454,462)	–	(204,994)	–
	9,725,866	–	10,381,931	(5,168)
Financing activities:				
Repayment of loan	(9,665,208)	–	(9,665,208)	–
Exercise of stock options	(354,005)	–	(354,005)	–
Issuance of shares	473,505	–	596,220	–
	(9,545,708)	–	(9,422,993)	–
Decrease in cash and cash equivalents	(427,142)	(247,742)	(73,361)	(571,561)
Cash and cash equivalents, beginning of period	795,625	1,328,802	441,844	1,652,621
Cash and cash equivalents, end of period	\$ 368,483	\$ 1,081,060	\$ 368,483	\$ 1,081,060

See accompanying notes to consolidated financial statements.

BENCHMARK ENERGY CORP.

Notes to Consolidated Financial Statements

Six months ended December 31, 2007 and 2006

1. Nature of operations and basis of presentation:

Benchmark Energy Corp. (the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange Inc. The Company has three wholly owned subsidiaries, Benchmark Energy (Colombia) Inc., Benchmark Holdings (BVI) Limited and Benchmark Energy (BVI) Corp. Currently, only the parent company is in operation while the three subsidiaries are dormant. The Company is engaged in the acquisition, exploration, development and production of petroleum and natural gas interests.

2. Going concern:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable for a going concern, which presumes that the Company will continue realizing its assets and discharging its liabilities in the normal course of business. During the six months ended December 31, 2007, the Company incurred a net loss of \$1,120,957 (2006 - \$521,764). At December 31, 2007, the Company had a deficit of \$6,311,048 (2006 - \$2,152,714) and working capital of \$104,973 (2006 - \$1,183,174). The Company's ability to continue as a going concern is dependant on its ability to acquire, explore, develop and produce its existing and new petroleum and natural gas interests and raise sufficient funds to do so.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying amounts of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used.

3. Write-off of terminated transaction:

During the prior fiscal year, Benchmark Holdings (BVI) Limited, a subsidiary of the Company, entered into a definitive share purchase agreement to acquire 100% of the shares of an oil and gas exploration and production company incorporated in Colombia for cash consideration of US \$29,000,000. As at June 30, 2007, the Company had deposited cash of US \$10,000,000 (\$10,729,108) into an escrow account subject to the terms of an escrow agreement. The funds deposited into escrow were partially financed with a US \$9,000,000 bridge loan facility bearing interest at 12.68% per annum, due August 1, 2007 and secured by substantially all of the assets of the Company, including the escrow funds.

During the six months ended December 31, 2007, the Company terminated the above noted acquisition, the escrow funds were released and the bridge loan facility was repaid. Out its US \$1 million cash investment, the Company received CAD \$754,657 including CAD \$59,707 in interest. The remaining portion of CAD \$309,243 will not be returned pursuant to the escrow agreement and was written-off during the six months ended December 31, 2007.

4. Prepaid expenses:

During the six months ended December 31, 2007 some expenses were paid in advance. Fees amounting to \$15,346 were paid in advance. The Company has various insurance plans paid in advance in the amount of \$39,011. The insurance plans are subject to renewal in August 2008.

5. Loan receivable:

During the prior fiscal year, the Company entered into a co-operation agreement with privately held Dominion Oil USA Corp. (DOMOIL) of Spring, Texas. The Company initially advanced DOMOIL US \$585,000 (\$572,540) to fund the manufacture of their radial drilling service unit.

The Company will receive a preferential right to use the equipment and the advances, plus interest, will be repaid by way of credit on invoices rendered by DOMOIL. If the Company elects not to use the equipment, advances, plus interest, will be repaid over a two-year period. The advances bear interest at the US bank prime rate plus one percent and are secured by the related equipment.

During the six months ended December 31, 2007, the radial unit manufacturing was completed and the unit was shipped to Colombia for a pilot project. In conjunction with the pilot project and pursuant to the agreement with Domoil, the Company has received a credit on the advance in the amount of US \$119,500 (\$118,078) reducing the current amount advanced to US \$462,500 (\$454,462).

6. Property and equipment:

	December 31, 2007	June 30, 2007
Petroleum and natural gas interests:		
Tunisia	\$ 458,926	\$ 458,926
Colombia	307,661	—
Argentina	238,254	—
Office furniture and equipment	25,038	18,782
	1,029,879	477,708
Accumulated depreciation	(8,495)	(5,823)
	\$ 1,021,384	\$ 471,885

At December 31, 2007 the Company had a single petroleum and natural gas interest in the Cosmos Concession located in Tunisia, which was considered to be in the preproduction stage and the cumulative costs, net of revenue, of \$458,926 (2006 - \$441,795) were capitalized in property and equipment and excluded from costs subject to depletion and depreciation. Major uncertainties affecting the recoverability of these costs include the Company's ability to obtain financing and the ability to successfully develop and achieve commercial production from the concession.

6. Property and equipment (cont'd):

During the six months ended December 31, 2007, the Company has incurred several expenses in relation to its radial drilling test project in Colombia and the evaluation of an oil and gas field in Argentina. Benchmark has capitalized these expenses with the intention of expensing the necessary items, as the test project and acquisition are completed. The amounts capitalized for Colombia are: \$307,661 and for Argentina, \$238,254. The capitalized amounts include audit and resource evaluations fees for the field in Argentina and the costs associated with shipping and mobilizing the radial drilling unit in Colombia.

7. Share capital and warrants:

(a) Authorized:

Unlimited number of common shares without par value

Unlimited number of 10% cumulative redeemable convertible non-voting Class A preferred shares without par value

Unlimited number of non-voting Class B preferred shares without par value

(b) Issued and outstanding:

	<u>December 31, 2007</u>		<u>June 30, 2007</u>	
	Units	Amounts	Units	Amount
Common shares:				
Balance, beginning of period	22,630,122	\$ 6,461,025	17,201,431	\$ 3,382,334
Private placement for cash, net of issue costs	–	–	2,856,000	811,859
Exercise of options	384,899	122,715	81,767	28,619
Transfer from contributed surplus	–	354,005	–	17,825
Exercise of warrants	298,750	119,500	2,090,199	2,090,199
Issued for lending fee	–	–	400,725	483,255
Balance, end of period	23,313,771	\$ 7,057,245	22,630,122	\$ 6,461,025
Warrants				
Balance, beginning of period	1,428,000	\$ –	2,136,000	\$ 183,982
Issued for cash	–	–	1,428,000	–
Exercised	(298,750)	–	(2,066,000)	(177,953)
Expired	–	–	(70,000)	(6,029)
Balance, end of period	1,129,250	\$ –	1,428,000	\$ –
TOTAL BALANCE, end of period		\$ 7,057,245		\$ 6,461,025

7. Share capital and warrants (cont'd):

Share capital transactions during the six months ended December 31, 2007:

- (a) A total of 384,999 stock options were exercised for common shares: 225,000 stock options at a price of \$0.27 per common share; 75,000 stock options at a price of \$0.35 per common share and 84,899 stock options at a price of \$0.71 per common share, for total proceeds of \$122,715.
- (b) A total of 298,750 warrants were exercised at the price of \$0.40 per common share acquired for total proceeds of \$119,500.

8. Stock option plan:

(a) Stock option plan:

In 2005, the Company implemented a stock option plan that enables the Company to grant options to acquire up to 10% of its outstanding common shares to its directors, officers and employees and other service providers. Options granted under the plan have a term of 5 years to expiry and vest equally over an eighteen-month period starting six months from the grant date. The exercise price of the options equals the market price of the Company's common shares on the grant date.

The following schedule details the stock option activity of the Company:

	Number of options	Weighted average exercise price
Balance, June 30, 2006	1,671,500	\$ 0.44
Granted	242,000	\$ 0.48
Granted	448,000	\$ 1.00
Exercised	(81,767)	\$ 0.35
Forfeited	(283,333)	\$ 0.71
Balance, June 30, 2007	1,996,400	\$ 0.55
Granted	447,500	\$ 0.53
Granted	275,000	\$ 0.55
Granted	42,000	\$ 0.69
Exercised	(225,000)	\$ 0.27
Exercised	(143,233)	\$ 0.35
Exercised	(16,666)	\$ 0.71
Forfeited	(41,667)	\$ 0.35
Forfeited	(33,334)	\$ 0.71
Forfeited	(10,000)	\$ 0.48
Balance, December 31, 2007	2,291,000	\$ 0.59

8. Stock option plan (cont'd):

(a) Stock option plan (cont'd):

At December 31, 2007, the following options were outstanding and exercisable:

Exercise	Number outstanding	Number exercisable	Weighted average remaining term (years)
\$0.27	242,500	467,500	2.90
\$0.35	375,000	373,267	3.55
\$0.50	29,000	19,333	3.55
\$0.71	200,000	166,667	3.90
\$0.48	232,000	—	4.61
\$1.00	448,000	—	4.72
\$0.53	447,500	—	—
\$0.55	275,000	—	—
\$0.69	42,000	—	—
Balance, December 31, 2007	2,291,000	1,026,767	

(b) Stock-based compensation costs:

For the six months ended December 31, 2007, the Company recognized stock-based compensation costs of \$233,393 (2006 – \$25,647). The fair value of stock options granted during the year has been estimated using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting fair value:

Six months ended December 31,	2007	2006
Risk free interest rate (percent)	4.50	3.75
Expected life (years)	5	5
Expected volatility (percent)	73	73

(c) Contributed surplus:

	Amount
Balance, June 30, 2006	\$ 200,505
Stock-based compensation	766,526
Exercise of stock options	(17,825)
Warrants expired	6,029
Balance, June 30, 2007	\$ 955,235
Stock-based compensation	233,393
Exercise of stock options	(354,005)
Balance, December 31, 2007	\$ (834,623)

9. Related party transactions:

For the six months ended December 31, 2007, the Company incurred management service fees of \$140,933 (2006 - \$189,105) payable to directors, companies controlled by directors and former directors of the Company.

A director working in relation to prospects in Latin America provided the Company with management services. The director was paid fees of \$61,062 (2006 - \$nil) during the six months ended December 31, 2007.

10. Commitments:

During the quarter ended September 30, 2006, the Company signed an agreement with a third party to use proprietary radial drilling technology in Indonesia and Malaysia. Under the terms of the agreement, the Company is required to pre-pay services to be provided in a sufficient amount to fund the manufacturing and delivery of a radial drilling unit for priority use by the Company in Indonesia and Malaysia. 75% of the cost of the work on the wells will be credited towards the pre-payment and the remaining 25% will be paid out of production generated. The third party will hold a 12.5% back-in right, subject to giving notice within 60 days of commercial operations and paying a proportionate share of costs and expenses, on any projects in Indonesia and Malaysia the radial drilling technology is applied by the Company. No funds have been advanced under this arrangement as of December 31, 2007.

The Company is committed to annual office lease payments of \$46,362 until May 31, 2010.

11. Supplemental disclosure of cash flow information:

Changes in non-cash working capital:

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Six months ended December 31, 2007	Six months ended December 31, 2006
Accounts receivable	(30,855)	(17,289)	(7,461)	(25,631)
Accounts payable and accrued liabilities	(314,654)	3,010	(96,172)	(45,712)
Prepaid Expense	22,889		(43,773)	
	(322,620)	(14,279)	(147,406)	(71,343)
Relating to operating activities	(322,620)	(14,279)	(147,406)	(71,343)

For the six months ended December 31, 2007 and 2006, the Company did not pay interest or income taxes.

