

**Financial Statements of**  
**BENCHMARK ENERGY CORP.**

**Nine months ended March 31, 2007 and 2006**

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

**BENCHMARK ENERGY CORP.****Balance Sheets**  
(Unaudited)

	<b>March 31, 2007</b>	<b>June 30, 2006</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,870,444	\$ 1,652,621
Accounts receivables	52,404	18,395
Deposit (note 3)	223,060	222,475
	<u>2,145,908</u>	<u>1,893,491</u>
Property and equipment (note 4)	826,302	453,064
	<u>\$ 2,972,210</u>	<u>\$ 2,346,555</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 14,951	\$ 210,684
<b>Shareholders' Equity</b>		
Common shares and warrants (note 5(b))	5,411,927	3,566,316
Contributed surplus (note 6(c))	226,152	200,505
Deficit	(2,680,820)	(1,630,950)
	<u>2,957,259</u>	<u>2,135,871</u>
Going concern (note 2)		
	<u>\$ 2,972,210</u>	<u>\$ 2,346,555</u>

See accompanying notes to financial statements

Approved on behalf of the Board:

*"Chris Cooper"*  
..... Director  
Chris Cooper

*"David Robinson"*  
..... Director  
David Robinson

**BENCHMARK ENERGY CORP.**  
**Statements of Operations and Deficit**  
(Unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine months ended March 31, 2007	Nine months ended March 31, 2006
<b>Expenses</b>				
G & A Expenses:				
Salaries & Benefits	\$ 13,926	-	\$ 22,908	-
Consulting	161,455	\$ 81,923	411,779	\$ 143,766
Director Fees	106,950	-	123,503	-
Management Fees	58,637	19,033	85,474	67,172
Rent	10,896	14,975	29,615	44,975
Office General & Administrative	51,636	7,866	152,324	22,957
Legal	-	0	30,764	-
Professional	71,548	29,677	71,548	67,136
Foreign Exchange	829	0	244	-
Regulatory & Transfer Agent	5,330	7,327	7,509	28,600
Bank Charges	337	161	337	1,088
Travel	55,440	29,501	110,443	43,564
Stock based compensation (note 6(b))	-	52,112	25,647	115,809
Depreciation	3,015	-	4,667	-
	539,999	242,575	1,076,762	535,067
<b>Loss before other item</b>	(539,999)	(242,575)	(1,076,762)	(535,067)
<b>Other Item</b>				
GST Recovery		(7,748)		(7,748)
Interest income	(11,893)	(1,036)	(26,893)	(3,580)
<b>Net loss for the period</b>	(528,106)	(233,791)	(1,049,869)	(523,739)
<b>Deficit, beginning of period</b>	(2,152,714)	(1,021,178)	(1,630,951)	(731,230)
<b>Deficit, end of period</b>	\$ (2,680,820)	\$ (1,254,969)	\$ (2,680,820)	\$ (1,254,969)
<b>Loss per share – basic and diluted</b>	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.06)
<b>Weighted average number of Shares outstanding – basic and diluted</b>	21,837,348	12,918,475	21,837,348	9,152,052

See accompanying notes to financial statements

**BENCHMARK ENERGY CORP.**  
**Statements of Cash Flows**  
(Unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine months ended March 31, 2007	Nine months ended March 31, 2006
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (528,106)	\$ (233,791)	\$ (1,049,869)	\$ (523,739)
Items not involving cash:				
Stock based compensation	-	52,112	25,647	115,809
Depreciation	3,015	-	4,667	-
Changes in non-cash working capital (note 9)	(158,399)	18,933	(230,328)	13,490
	(683,490)	(162,746)	(1,249,883)	(394,440)
Financing activities:				
Common share subscriptions	1,845,611	1,483,150	1,845,611	2,383,150
Share subscriptions received	-	(700,130)	-	(716,825)
	1,845,611	783,020	1,845,611	1,666,825
Investing activities:				
Additions to property and equipment	(372,737)	-	(23,200)	(269,049)
Decrease in cash and cash equivalents	789,384	620,274	572,528	1,002,836
Cash and cash equivalents, beginning of period	1,081,060	309,059	1,652,621	626,627
Cash and cash equivalents, end of period	\$ 1,870,444	\$ 1,629,463	\$ 735,149	\$ 1,629,463

See accompanying notes to financial statements

# BENCHMARK ENERGY CORP.

## Notes to Financial Statements

(Unaudited)

### Nine months ended March 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 is engaged in the acquisition, exploration, development and production of petroleum and natural gas interests.

The interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended June 30, 2006. The interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's annual report for the year ended June 30, 2006. Certain prior period figures have been reclassified to conform to current periods' presentations.

#### 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, 2006, the Company incurred a net loss of \$544,263 (2005 - \$289,948). At December 31, 2006, the Company had a deficit of \$2,175,213 and working capital of \$1,160,675. 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.

Accordingly, these financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was 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. DEPOSIT

Pursuant to a Memorandum Agreement dated April 28, 2006, the Company advanced \$223,060 (US\$200,000) (June 30, 2006 - \$222,475) to a third party as an advance for due diligence services to identify petroleum and natural gas interests in Indonesia which the Company may acquire.

Upon the successful acquisition of a petroleum and natural gas interests identified by the third party, the Company will pay a success fee of up to US\$300,000, of which the US\$200,000 already advanced will be applied. The success fee will be US\$100,000 per prospect and will be payable in two payments as follows; US\$50,000 payable within 30 days of the execution of the first formal agreement for the acquisition of an identified prospect and US\$50,000 upon the execution of the first binding agreement for the acquisition of an identified prospect. If after a period of 12 months from the date of the Memorandum Agreement no identified prospect have been acquired by the Company or if one or more identified prospects have been acquired, but the aggregate success fees payable in respect thereto are less than US\$300,000, the third party will refund the US\$200,000 advance or the unearned portion thereof, as the case may be, to the Company.

#### 4. PROPERTY AND EQUIPMENT

	March 31, 2007	June 30, 2006
Petroleum and natural gas interests	813,631	441,795
Office furniture and equipment	18,782	12,713
	832,413	454,508
Accumulated depletion and depreciation	(6,111)	(1,444)
	826,302	453,064

## BENCHMARK ENERGY CORP.

### Notes to Financial Statements

(Unaudited)

#### Nine months ended March 31, 2007 and 2006

At March 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 (2005 - \$441,795) were capitalized in property and equipment and excluded from costs subject to depletion and depreciation. Major uncertainties affecting the recoverability include the Company's ability to obtain financing and the ability to successfully develop and achieve commercial production from the concession.

As at March 31, 2007, the Company entered into a co-operation agreement with privately held Dominion Oil USA Corp. (Domoil) of Spring, Texas. The Company paid Domoil \$354,705 (US \$300,000) contributing to the costs for the manufacture of their Radial Drilling Service Unit in exchange for the preferential right to use their innovative and proprietary well performance-enhancement technologies.

#### 5. SHARE CAPITAL AND WARRANTS

- (a) Authorized
- (i) Unlimited number of common shares without par value
  - (ii) Unlimited number of 10% cumulative redeemable convertible non-voting Class A preferred shares without par value
  - (iii) Unlimited number of non-voting Class B preferred shares without par value
- (b) Issued and outstanding

Share capital and warrants consists of:

	March 31, 2007		June 30, 2006	
	Units	Amount	Units	Amount
<b>Common shares</b>				
Balance, beginning of period	17,201,431	\$3,382,334	6,847,831	\$ 610,688
Private placement for cash, net of issue costs	2,856,000	821,539		
Exercise of options	-	-	81,600	46,512
Exercise of warrants	1,779,917	1,024,072		
Balance, end of period	21,837,348	\$5,227,945	17,201,431	\$3,382,334
<b>Warrants</b>				
Balance, beginning of period	2,136,000	\$ 183,982	-	\$ -
Issued for cash	1,428,000	-	2,136,000	183,982
Exercised	(1,365,429)			
Expired	(10,000)			
Balance, end of period	2,188,571	\$ 183,982	2,136,000	\$ 183,982
TOTAL BALANCE, end of period		\$5,411,927		\$3,566,316

- (c) On March 2, 2007 the Company completed a private placement of 2,856,000 units at a price of \$0.30 per unit. Each unit consists of one common share and one half common share warrant. Each warrant entitles the holder to purchase one share at \$0.40 at any time prior to March 1, 2008. Gross proceeds from the offering were \$856,800 less issue costs of \$35,261.

## BENCHMARK ENERGY CORP.

### Notes to Financial Statements

(Unaudited)

Nine months ended March 31, 2007 and 2006

#### 6. STOCK OPTION PLAN

(a) Stock option plan:

In 2005, the Company implemented a stock option plan that enables the Company to grant options 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 option	Weighted average exercise price
Balance, June 30, 2005	580,000	\$0.27
Granted	1,204,000	\$0.50
Exercised	(81,600)	\$0.27
Forfeited	(30,900)	\$0.27
Balance, June 30, 2006 and March 31	1,671,500	\$0.44
Granted	242,000	\$0.48
Granted	448,000	\$1.00
Canceled	(350,000)	\$0.71
Balance March 31, 2007	2,011,500	\$.054

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

Exercise Price	Number outstanding	Number exercisable	Weighted average remaining term (years)
\$0.27	467,500	467,500	3.15
\$0.35	575,000	383,333	3.80
\$0.50	29,000	19,333	3.80
\$0.71	250,000	83,333	4.15
\$0.48	242,000	-	4.86
\$1.00	448,000	-	4.96
Balance, March 31, 2007	2,011,500	953,499	

(b) Stock-based compensation costs:

For the nine months ended March 31, 2007, the Company recognized stock-based compensation costs of \$25,647 (2006 – \$115,809). The fair value of stock options granted

## BENCHMARK ENERGY CORP.

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(Unaudited)

#### Nine months ended March 31, 2007 and 2006

during the period has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions and resulting fair value:

Nine months ended March 31,	2007	2006
Risk free interest rate (percent)	3.78	3.34
Expected life (years)	3.96	5.00
Expected volatility (percent)	88	98
Fair value of stock options granted (dollars)	0.24	0.20

(c) Contributed surplus:

	Amount
Balance, June 30, 2005	\$ 15,024
Stock based compensation	209,961
Exercise of stock options	(24,480)
Balance, June 30, 2006	\$ 200,505
Stock based compensation	25,647
Balance, March 31, 2007	\$ 226,152

#### 7. RELATED PARTY TRANSACTIONS

For the nine months ended March 31, 2007, the Company incurred management service fees and director fees of \$208,976 (2006 - \$126,637) to officers, directors, companies controlled by directors and former directors of the Company.

#### 8. COMMITMENT

- (a) The Company is committed to pay US\$5,000 per month under a management services contract.
- (b) 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 will 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.

**BENCHMARK ENERGY CORP.****Notes to Financial Statements**

(Unaudited)

**Nine months ended March 31, 2007 and 2006****9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Changes in non-cash working capital

	<b>Three Months Ended March 31, 2007</b>	<b>Three Months Ended March 31, 2006</b>	<b>Nine months ended March 31, 2007</b>	<b>Nine months ended March 31, 2006</b>
Accounts receivable	(8,379)	3,130	(34,010)	(5,085)
Deposits	-	-	(585)	
Accounts payable and accrued liabilities	(150,020)	15,803	(195,733)	18,575
	(158,399)	18,933	(230,328)	13,490
Relating to operating activities	(158,399)	18,933	(230,328)	13,490