

Consolidated Financial Statements of

BENCHMARK ENERGY CORP.

Three months ended September 30, 2007 and 2006

The accompanying unaudited financial statements of Benchmark Energy Corp. for the three months ended September 30, 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

	September 30, 2007	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 795,625	\$ 441,844
Cash held in escrow	–	10,729,108
Accounts receivable	89,967	51,651
Prepaid expenses (note 4)	31,469	10,585
	<u>917,061</u>	<u>11,233,188</u>
Loan receivable (note 5)	607,991	659,456
Property and equipment (note 6)	474,060	471,885
	<u>\$ 1,999,112</u>	<u>\$12,364,529</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 60,747	\$ 473,152
Loan payable	–	9,665,208
	<u>60,747</u>	<u>10,138,360</u>
Shareholders' equity:		
Common shares and warrants (note 7)	6,937,745	6,461,025
Contributed surplus (note 8(c))	813,382	955,235
Deficit	(5,812,762)	(5,190,091)
	<u>1,938,365</u>	<u>2,226,169</u>
	<u>\$ 1,999,112</u>	<u>\$12,364,529</u>

See accompanying notes to the 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 September 30, 2007, with comparative figures for 2006

	2007	2006
Expenses (income)		
General and administrative (note 3 and 8(b))	\$ 681,921	\$ 294,104
Interest and bank charges	1,266	45
Depreciation	1,217	826
Interest income	(61,733)	(7,500)
Net loss for the period	(622,671)	(287,475)
Deficit, beginning of period	(5,190,091)	(1,630,950)
Deficit, end of period	\$(5,812,762)	\$(1,918,425)
Loss per share - basic and diluted	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding – basic and diluted	20,174,985	17,201,431

See accompanying notes to consolidated financial statements.

BENCHMARK ENERGY CORP.

Consolidated Statements of Cash Flows

Three months ended September 30, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (622,671)	\$ (287,475)
Items not involving cash:		
Stock-based compensation	212,152	25,647
Depreciation	1,217	826
Foreign exchange loss	51,465	—
Changes in non-cash working capital (note 11)	(471,606)	(57,063)
	<u>(829,443)</u>	<u>(318,650)</u>
Investing activities:		
Additions to property and equipment	(3,391)	(5,169)
Return of cash held in escrow	10,729,108	—
	<u>10,725,717</u>	<u>(5,169)</u>
Financing activities:		
Issuance of shares	122,715	—
Repayment of loan	(9,665,208)	—
	<u>(9,542,493)</u>	<u>—</u>
Increase (decrease) in cash and cash equivalents	353,781	(323,819)
Cash and cash equivalents, beginning of period	441,844	1,652,621
Cash and cash equivalents, end of period	<u>\$ 795,625</u>	<u>\$ 1,328,802</u>

See accompanying notes to consolidated financial statements.

BENCHMARK ENERGY CORP.

Notes to Consolidated Financial Statements

Three months ended September 30, 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 three months ended September 30, 2007, the Company incurred a net loss of \$622,671 (2006 - \$287,475). At September 30, 2007, the Company had a deficit of \$5,812,762 (2006 - \$1,918,425) and working capital of \$856,314 (2006 - \$1,416,636). 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 three months ended September 30, 2007, the Company terminated the above noted acquisition, the escrow funds were released and the bridge loan facility was repaid. Of the Company's US \$1,000,000 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 three months ended September 30, 2007.

4. Prepaid expenses:

During the three months ended September 30, 2007 several expenses were paid in advance. Two directors were paid management fees one month in advance for a total of \$13,760 plus one month in advance of directors fees in the amount of \$2,120; one director was advanced \$12,200 for travel expenses related to on going negotiations for a petroleum prospect in Latin America. As well, rent in the amount of \$3,389 was prepaid during the three months ended September 30, 2007.

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 has advanced DOMOIL US \$585,000 (\$607,991) 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.

6. Property and equipment:

	September 30, 2007	June 30, 2007
Petroleum and natural gas interests	\$ 458,926	\$ 458,926
Office furniture and equipment	22,174	18,782
	481,100	477,708
Accumulated depreciation	(7,039)	(5,823)
	\$ 474,060	\$ 471,885

At September 30, 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.

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:

	September 30, 2007		June 30, 2007	
	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	—	—	2,090,199	2,090,199
Issued for lending fee	—	—	400,725	483,255
Balance, end of period	23,015,021	\$ 6,937,745	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	—	—	(2,066,000)	(177,953)
Expired	—	—	(70,000)	(6,029)
Balance, end of period	1,428,000	\$ —	1,428,000	\$ —
TOTAL BALANCE, end of period		\$ 6,937,745		\$ 6,461,025

Share capital transactions during the three months ended September 30, 2007:

- (a) A total of 384,899 stock options were exercised for common shares: 225,000 stock options at a price of \$0.27 per common share; 143,233 stock options at a price of \$0.35 per common share and 16,666 stock options at a price of \$0.71 per common share, for total proceeds of \$122,715.

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.

8. Stock option plan (continued):

(a) Stock option plan (continued):

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

	Number of options	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	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
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
Balance, September 30, 2007	2,259,000	\$ 0.58

At September 30, 2007, the following options were outstanding and exercisable:

Exercise	Number outstanding	Number exercisable	Weighted average remaining term (years)
\$0.27	242,500	467,500	2.65
\$0.35	375,000	375,000	3.30
\$0.50	29,000	29,000	3.30
\$0.71	200,000	133,333	3.65
\$0.48	242,000	80,667	4.36
\$1.00	448,000	149,333	4.46
\$0.53	447,500	—	4.98
\$0.55	275,000	—	4.99
Balance	2,259,000	1,009,833	

8. Stock option plan (continued):

(b) Stock-based compensation costs:

For the three months ended September 30, 2007, the Company recognized stock-based compensation costs of \$212,152 (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:

Three months ended September 30,	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, 2005	\$ 15,024
Stock-based compensation	209,961
Exercise of stock options	(24,480)
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	212,152
Exercise of stock options	(354,005)
Balance, September 30, 2007	\$ 813,382

9. Related party transactions:

For the three months ended September 30, 2007, the Company incurred management service fees of \$69,867 (2006 - \$91,845) 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 \$31,647 (June 30, 2007 - \$45,289) during the three months ended September 30, 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 September 30, 2007.

The Company is committed to annual office lease payments of \$66,696 until May 31, 2010.

11. Supplemental disclosure of cash flow information:

Changes in non-cash working capital:

Three months ended September 30,	2007	2006
Accounts receivable	\$ (38,316)	\$ (8,341)
Deposits and prepaid expenses	(20,884)	—
Accounts payable and accrued liabilities	(412,405)	(48,722)
	\$ (43,738)	\$ (57,063)
Relating to investing activities	(412,405)	—
Relating to operating activities	\$ (59,200)	\$ (57,063)

For the three months ended September 30, 2007 and 2006, the Company did not pay interest or income taxes.

12. Subsequent events:

On October 29, 2007, the Company announced that the proprietary well performance enhancement technology for Colombia is now ready and complete. The radial drilling unit is in transit to Colombia from Houston via ocean-going barge. The Company previously announced that it had secured the preferential right for the technology for Colombia through a cooperation agreement with Dominion Oil (USA) Corporation of Spring, Texas.

Further to its previous announcement in the first quarter 2007, the Company has completed its formal due diligence on the Azar block in the Putumayo basin of Colombia and has decided not to proceed with this acquisition.

Subsequent to September 30, 2007, the Company continues its negotiations and due diligence on a number of acquisitions and farm-in opportunities that have been presented in Colombia. Currently, the Company is actively working on the possible purchase of a mature, producing field in Argentina.