

BENCHMARK ENERGY CORP.
Years ended June 30, 2007 and 2006
Management's Discussion and Analysis

The following management discussion and analysis is prepared as at October 26, 2007 and should be read in conjunction with the audited financial statements for the year ended June 30, 2007 of Benchmark Energy Corp. (the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

Except for statements of historical fact, all statements in this MD&A - including, without limitation, statements regarding production estimates, potential reserves and future plans and objectives of the Company - are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from anticipated results include risks and uncertainties most of which are beyond the Company's control such as: risks relating to estimates of reserves and recoveries; production rates and operating cost assumptions; development risks and costs; the risk of commodity price and currency fluctuations; general economic and industry conditions; political and regulatory risks; environmental risks; stock market volatility; access to sufficient capital from internal and external sources; and other risks and uncertainties as disclosed under the heading "Risk Factors" and elsewhere in the Company's documents filed from time-to-time with the Canadian securities regulatory authorities. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by the Company at the time, may prove to be incorrect. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

The Company is listed on the TSX Venture Exchange Inc. ("TSXV"). Operations at this time are focused on the acquisition, exploration and development of international petroleum and natural gas properties. The Company has three wholly owned subsidiaries: Benchmark (Colombia) Inc., Benchmark Holdings (BVI) Limited and Benchmark Energy (BVI) Corp. As of the date of this MD&A, all these subsidiaries are inactive.

Latin America

During the year ended June 30, 2007, the Company examined petroleum and natural gas interests in Latin America, specifically Colombia. While no acquisition has been made at the date of this MD&A, the Company's focus remains on acquiring international petroleum and natural gas assets in Latin America.

Tunisia

Capitalized petroleum and natural gas interests as at June 30, 2007 of \$458,926 (2006 - \$441,795) consist solely of acquisition costs of the Company's 33.33% interest in the Cosmos Concession.

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Indonesia

Benchmark had entered into an exclusive arrangement for an initial 12-month period with a local Indonesian group whereby the group would seek out and present to the Company marginal petroleum and natural gas field opportunities in Indonesia in consideration for success fees. As part of that arrangement, Benchmark advanced a refundable deposit of \$222,475 (US\$200,000) to the Indonesian group, which would be applied to potential future success fees that could have become due under the arrangement. However, as of February 2007, the exclusive arrangement with this Indonesian group has been terminated and the deposit will not be returned.

Drilling Technology

During the year ended June 30, 2007, 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 to which the radial drilling technology is applied by the Company. No fees have been advanced under this arrangement as of the date of this MD&A.

During the year ended June 30, 2007, the Company had entered into a co-operation agreement with privately held Dominion Oil USA Corp. ("Domoil") of Spring, Texas. The Company has advanced Domoil \$659,456 (US \$585,000) to fund the manufacture of their Radial Drilling Service Unit. The Company will receive a preferential right to use the equipment.

Selected Annual Financial Information

	June 30, 2007 \$	June 30, 2006 \$	June 30, 2005 \$
Total revenue (interest income)	35,474	11,510	1,028
Net loss	(3,559,141)	(899,720)	(307,551)
Net loss per share – basic and diluted	(0.19)	(0.08)	(0.05)
Total assets	12,364,529	2,346,555	676,723
Total long-term financial liabilities	9,665,208	-	-
Cash dividends declared per share	-	-	-

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Results of Operations

Results of Operations for the years ended June 30, 2007 and 2006

General and administrative expenses consist of the following:

Years ended June 30.	2007	2006
Expenses		
Travel and promotion	\$ 153,918	\$ 49,766
Salaries and benefits	47,159	
Rent	49,188	59,688
Consulting fees	1,530,742	325,490
Management fees	97,683	67,172
Transfer agent and filing fees	23,968	53,913
Professional Fees	227,479	72,103
Stock-based compensation	766,526	209,961
Office	122,905	47,911
Foreign exchange	10,107	-
Interest and bank charges	560,562	1,282
Mineral property expense	-	22,500
	3,590,237	909,786

The levels of expenditures for individual cost categories increased from period to period due to the capital raising efforts of management and the continued exploration of potential petroleum and natural gas prospects.

During the current year, the Company pursued additional petroleum and natural gas prospects, which resulted in increased general and administrative costs. In particular, consulting fees for due diligence and property investigation increased to \$1,530,742 during the current fiscal year as compared to \$325,490 during the prior fiscal year. Interest and bank charges increased to \$560,562 during this year from \$1,282 during last year as a result of the bridge loan arranged for the proposed acquisition of Rancho Hermoso S.A. in Colombia. The Company issued \$483,255 worth of common shares as part of the repayment structure of the loan. The Company also accrued \$60,374 in interest for this loan.

Stock-based compensation was \$766,526 during the current year due to the granting of stock options to directors, officers, consultants and employees of the Company. This is compared with \$209,961 from the previous year.

The Company earned \$35,474 in interest income during the year ended June 30, 2007 compared to \$11,510 interest income earned during the year ended June 30, 2006. Interest was the sole source of revenue during both years and was earned on cash and cash equivalents held by the Company.

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During the year ended June 30, 2007, the Company successfully closed a non-brokered private placement for 2,856,000 units of the Company at a price of \$0.30 per unit for gross proceeds of \$856,800 less issuance costs of \$44,941.

Net Loss for the year ended June 30, 2007

The Company incurred a net loss for the year ended June 30, 2007 of \$3,559,141 or \$0.19 per share compared to a net loss of \$899,720 or \$0.08 per share for the year ended June 30, 2006.

Summary of Quarterly Results

	Jun 30 2007	Mar 31 2006	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenue	8,581	11,893	7,500	7500	7,930	1,036	1,376	1,168
Net loss	(2,509,351)	(528,106)	(234,209)	(287,475)	(375,981)	(233,791)	(154,743)	(135,205)
Net loss per share -basic and diluted	(0.14)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)

The Company's costs have increased due to the increased operations of the Company as a result of its business plan to acquire, explore and develop petroleum and natural gas properties internationally.

Liquidity and Capital Resources

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. There can be no assurance of continued access to any equity funding.

The Company began the year with working capital of \$1,682,807, which included cash of \$1,652,621. The Company closed two financings during the year ended June 30, 2007, which provided net proceeds of \$2,091,359. For the year ended June 30, 2007, the Company has working Capital of \$1,094,828 including cash of \$441,844.

The Company's financial statements are prepared in accordance with Canadian 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. 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 to raise sufficient funds to do so.

The Company believes it has adequate working capital to fund its corporate general and administrative activities over the next twelve months. If the Company chooses to proceed with any acquisition, it will need to raise additional funds for those expenditures.

The Company had no commitments for material capital expenditures for the year ended June 30, 2007. As at the date of this MD&A, the Company has no other arrangement for sources of financing.

Analysis of Fourth Quarter

The Company recorded a net loss of \$2,509,351 during the fourth quarter ended June 30, 2007. During the fourth quarter, consulting fees increased by \$1,342,985 from the previous quarter due

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to continued due diligence of petroleum and natural gas prospects in Latin America. In particular, the Company entered into a share purchase agreement on June 22, 2007 for Rancho Hermoso S.A. in Colombia, which significantly increased consulting expenses for the fourth quarter ended June 30, 2007. Subsequent to June 30, 2007 the share purchase agreement for Rancho Hermoso S.A. was cancelled.

During the fourth quarter ended June 30, 2007, the Company reported that 2,066,000 share-purchase warrants expiring on March 29 and May 12, 2007 were exercised, resulting in net proceeds to the Company of \$1,549,500. At June 30, 2007, the total number of common shares issued and outstanding of the Company is 22,630,122.

During the fourth quarter of this fiscal year, 81,767 stock options were exercised at a price of \$0.35 per common share for total proceeds of \$28,619.

On June 22, 2007, 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.

Subsequent to year end, in August 2007, the Company terminated this acquisition, the escrow funds were released and the bridge loan facility was repaid.

Also during the fourth quarter of this fiscal year, 400,725 shares were issued in connection with the bridge loan facility.

Transactions with Related Parties

For the year ended June 30, 2007, the Company incurred management and consulting service fees of \$386,212 (2006 - \$180,071) payable to directors; companies controlled by directors and former directors of the Company.

A director working on the development of the Cosmos Concession in Tunisia provided the Company with management services and was paid fees of \$40,562 (2006 - \$38,781) during the year ended June 30, 2007. The contract with this director expired in January 2007 and has not been renewed.

Another director working on the development of the Cosmos Concession in Tunisia provided the Company with management services and was paid fees of \$63,417 (2006 - \$nil) during the year ended June 30, 2007. The director resigned in April 2007.

A director provided the Company with management services in the capacity of locating and analysing opportunities in Latin America. The director was paid fees of \$45,289 (2006 - \$nil) during the year ended June 30, 2007.

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Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Estimates

The notes to the financial statements outline the Company's significant accounting policies. The policies discussed below are considered particularly important, as they require management to make significant judgments, some of which may relate to matters that are inherently uncertain.

Going Concern

The Company prepares its financial statements 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. 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. There is no certainty that the Company will continue beyond June 30, 2008.

Stock-Based Compensation

The Company has a stock-based compensation plan. The Company accounts for all stock-based payments granted using the fair value based method. Under the fair value based method, compensation cost attributable to stock options granted to employees is measured at the grant-date fair value and recognized over the vesting period with a corresponding increase to contributed surplus. Compensation costs attributed to stock-options granted to non-employees is also measured at the grant date fair value and re-measured each period until counterparty performance is complete (typically the vesting period), and recognized over the performance period with a corresponding increase to contributed surplus. On exercise of vested stock options, the proceeds received plus recognized stock-based compensation is credited to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

Financial Estimates and use of Estimates

The financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reported period. Actual results will differ from these estimates.

Accounting for Oil and Gas Operations

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs related to the acquisition, exploration and development of petroleum and natural gas interests are accumulated within cost centres on a country-by country basis.

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Proceeds from the sale of petroleum and natural gas interests are applied against capitalized costs except for sales that would change the rate of depletion and depreciation by 20% or more, in which case a gain or loss is recorded. Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit of production method based on estimated gross proved reserves of petroleum and natural gas as determined by independent engineers. Costs of acquiring and evaluating significant unproved petroleum and natural gas interests are excluded from costs subject to depletion and depreciation until it is determined that proved reserves are attributable to such interest or until impairment occurs.

A revision to the estimate for proved reserves can have a significant impact on earnings as they are a key component in the calculation of depreciation, depletion and accretion.

An impairment loss is recognized when the carrying amount of a cost centre is not recoverable and exceeds its fair value. The carrying amount is assessed to be recoverable when the sum of the undiscounted cash flows expected from proved reserves plus the cost of unproved interests, net of impairments, exceeds the carrying amount of the cost centre. When the carrying amount is assessed not to be recoverable, an impairment loss is recognized to the extent that the carrying amount of the cost centre exceeds the sum of the discounted cash flows from proved and probable reserves plus the cost of unproved interests, net of impairments, of the cost centre. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free interest rate.

Undeveloped lands are assessed quarterly to determine whether impairment has occurred. Where interests are considered impaired, the cost of the property or the amount of impairment is included in costs subject to depletion and the ceiling test.

A substantial portion of the Company's exploration and development activities are conducted jointly with others. The financial statements reflect only the Company's proportionate interests in such activities.

New Accounting Pronouncements

Financial instruments – recognition and measurement

In January 2005, the CICA released new Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"), effective for annual and interim periods beginning on or after October 1, 2006. This new section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount, sometimes using fair value and other times using cost-based measures. It also specifies how financial instrument gains and losses are to be presented and defines financial instruments to include accounts receivable and payable, loans, investments in debt and equity securities, and derivative contracts. The company has determined there will be no impact on its results of operations or financial position by adopting Section 3855.

Comprehensive income and equity

In January 2005, the CICA released new Handbook Section 1530, "Comprehensive Income", and Section 3251, "Equity", effective for annual and interim periods beginning on or after October 1, 2006. Section 1530 establishes standards for reporting comprehensive income. The section does not address issues of recognition or measurement for comprehensive income and its components. Section 3251 establishes standards for the presentation of equity and changes in equity during the

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reporting period. The requirements in this section are in addition to Section 1530. The Company has determined there will be no impact on its results of operations or financial position by adopting Sections 1530 and 3251.

Hedges

In April 2005, the CICA released a new Handbook Section 3865, "Hedges", effective for fiscal periods beginning on or after October 1, 2006. Section 3865 establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. The Company has determined there will be no impact on its results of operations or financial position by adopting Section 3865.

Outstanding Share Data

The following details the share capital structure as of the date of this MD&A.

	Expiry Date	Exercise Price	Number	Total Number
Common shares				23,030,021
Stock options	May 24, 2010	\$0.27	242,500	
	January 17, 2011	\$0.35	375,000	
	February 14, 2011	\$0.50	29,000	
	May 24, 2011	\$0.71	200,000	
	February 7, 2012	\$0.48	242,000	
	March 16, 2012	\$1.00	448,000	
	September 21, 2012	\$0.53	447,500	
	September 24, 2012	\$0.55	275,000	
	October 18, 2012	\$0.73	42,000	2,301,000

Subsequent to the year ended June 30, 2007 an additional 399,899 warrants were exercised. At the date of this MD&A the total number of issued and outstanding shares is 23,030,021. There were also three stock option grants subsequent to year end: 447,500 units at \$0.53, 275,000 units at \$0.55 and 42,000 units at \$0.73. The total options outstanding at the date of this MD&A are 2,301,000.

Disclosure Controls and Procedures Update

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that, despite the material weaknesses identified during their evaluation, disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control

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system are met. In the current year, there have been no changes in the Company's internal control over financial reporting that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

One material weakness identified by the Company is a lack of financial and regulatory reporting resources required to meet its reporting requirements on a timely basis. Although the Company is working with legal counsel and outside consultants to have the resources available to improve on this as necessary, it is possible that the Company could miss a filing deadline resulting in suspension of trading. Such an event could adversely affect the trading market for the shares and investment in the company.

Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we identified certain weaknesses in internal controls over financial reporting which are as follows:

- a) Due to the limited number of staff at the Company, it is not feasible to achieve complete segregation of incompatible duties.
- b) Due to the limited number of staff, the Company does not have a sufficient number of finance personnel with all the technical accounting knowledge to address all complex and non-routine accounting transactions that may arise.
- c) Although a Whistleblower Policy and a Code of Conduct are being created and will subsequently be approved and adopted by the Company, the company did not have a Whistle Blower Policy or Code of Conduct in place during the period.

These weaknesses in the Company's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting, however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

Risk Factors

The Company's business is subject to risks inherent in oil and gas exploration and development operations. In addition, there are risks associated with the Company's development stage of operations and the foreign jurisdiction in which it operates. The Company has identified certain risks pertinent to its business including but not limited to exploration and reserve risks, uncertainty of reserve estimates, ability to exploit successful discoveries, drilling and operating risks, title to properties, costs and availability of materials and services, capital markets and the requirement for additional capital, market perception, loss of or changes to production sharing, joint venture or related agreements, economic and sovereign risks, possibility of less developed legal systems, corporate and regulatory formalities, environmental regulation, reliance on

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strategic relationships, market risk, competition, dependence on key personnel, volatility of future oil and gas prices and foreign currency risk. The Company attempts to monitor, assess and mitigate of these risks. However, here are certain risks, over which the Company has little or no control.