

Financial Statements of

BENCHMARK ENERGY CORP.

Three months ended September 30, 2006 and 2005

The accompanying unaudited financial statements of Benchmark Energy Corp. for the three months ended September 30, 2006 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)

| | September 30, 2006 | June 30, 2006 |
|--|-----------------------|------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 1,328,802 | \$ 1,652,621 |
| Accounts receivables | 26,736 | 18,395 |
| Deposit (note 3) | 223,060 | 222,475 |
| | 1,578,598 | 1,893,491 |
| Property and equipment (note 4) | 457,407 | 453,064 |
| | \$ 2,036,005 | \$ 2,346,555 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 161,962 | \$ 210,684 |
| | 161,962 | 210,684 |
| Shareholders' Equity | | |
| Common shares and warrants (note 5(b)) | 3,566,316 | 3,566,316 |
| Contributed surplus (note 6(c)) | 226,152 | 200,505 |
| Deficit | (1,918,425) | (1,630,950) |
| | 1,874,043 | 2,135,871 |
| Going concern (note 2) | | |
| | \$ 2,036,005 | \$ 2,346,555 |

See accompanying notes to financial statements

Approved on behalf of the Board:

"Larry Youell"..... Director
Larry Youell*"David Harrison"*..... Director
David Harrison

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

| Three months ended September 30, | 2006 | 2005 |
|--|----------------|--------------|
| Expenses (income) | | |
| General and administrative (note 6(b)) | \$ 294,104 | \$ 135,770 |
| Interest and bank charges | 45 | 603 |
| Depreciation | 826 | – |
| Interest income | (7,500) | (1,168) |
| Net loss | (287,475) | (135,205) |
| Deficit, beginning of period | (1,630,950) | (731,230) |
| Deficit, end of period | \$ (1,918,425) | \$ (866,435) |
| Loss per share – basic and diluted | \$ (0.02) | \$ (0.02) |
| Weighted average number of shares outstanding – basic and diluted | 17,201,431 | 6,847,831 |

See accompanying notes to financial statements

BENCHMARK ENERGY CORP.
Statements of Cash Flows
(Unaudited)

| Three months ended September 30, | 2006 | 2005 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | \$ (287,475) | \$ (135,205) |
| Items not involving cash: | | |
| Stock based compensation | 25,647 | 35,458 |
| Depreciation | 826 | - |
| Foreign exchange gain | (585) | - |
| Changes in non-cash working capital (note 9) | (57,063) | (3,716) |
| | (318,650) | (103,463) |
| Financing activities: | | |
| Common share subscriptions advances | - | 29,988 |
| | - | 29,988 |
| Investing activities: | | |
| Additions to property and equipment | (5,169) | (74,454) |
| | (5,169) | (74,454) |
| Decrease in cash and cash equivalents | (323,819) | (147,929) |
| Cash and cash equivalents, beginning of period | 1,652,621 | 626,627 |
| Cash and cash equivalents, end of period | \$ 1,328,802 | \$ 478,698 |

See accompanying notes to financial statements

BENCHMARK ENERGY CORP.

Notes to Financial Statements

(Unaudited)

Three months ended September 30, 2006 and 2005

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. 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 three months ended September 30, 2006, the Company incurred a net loss of \$287,475 (2005 - \$135,205).

At September 30, 2006, the Company had a deficit of \$1,918,425 and working capital of \$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.

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

| | September 30, 2006 | June 30, 2006 |
|--|--------------------|---------------|
| Petroleum and natural gas interests | 441,795 | 441,795 |
| Office furniture and equipment | 17,882 | 12,713 |
| | 459,677 | 454,508 |
| Accumulated depletion and depreciation | (2,270) | (1,444) |
| | 457,407 | 453,064 |

BENCHMARK ENERGY CORP.

Notes to Financial Statements

(Unaudited)

Three months ended September 30, 2006 and 2005

At September 30, 2006, 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 \$441,795 (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.

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:

| | September 30, 2006 | | June 30, 2006 | |
|--|--------------------|-------------|---------------|-------------|
| | Units | Amount | Units | Amount |
| Common shares | | | | |
| Balance, beginning of period | 17,201,431 | \$3,382,334 | 6,847,831 | \$ 610,688 |
| Issued for cash, net of issue costs | - | - | 10,272,000 | 2,725,134 |
| Exercise of options | - | - | 81,600 | 46,512 |
| Balance, end of period | 17,201,431 | \$3,382,334 | 17,201,431 | \$3,382,334 |
| Warrants | | | | |
| Balance, beginning of period | 2,136,000 | \$ 183,982 | - | \$ - |
| Issued for cash | - | - | 2,136,000 | 183,982 |
| Balance, end of period | 2,136,000 | \$ 183,982 | 2,136,000 | \$ 183,982 |
| TOTAL BALANCE, end of period | | \$3,566,316 | | \$3,566,316 |

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.

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

(Unaudited)

Three months ended September 30, 2006 and 2005

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 September 30, 2006 | 1,671,500 | \$0.44 |

At September 30, 2006, the following options were outstanding and exercisable:

| Exercise Price | Number outstanding | Number exercisable | Weighted average remaining term (years) |
|-----------------------------|-----------------------|-----------------------|---|
| \$0.27 | 467,500 | 311,667 | 3.75 |
| \$0.35 | 675,000 | 224,775 | 4.33 |
| \$0.50 | 29,000 | 21,750 | 4.42 |
| \$0.71 | 500,000 | - | 4.67 |
| Balance, September 30, 2006 | 1,671,500 | 558,192 | |

(b) Stock-based compensation costs:

For the three months ended September 30, 2006, the Company recognized stock-based compensation costs of \$25,647 (2005 – \$35,458). The fair value of stock options granted during the period 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, | 2006 | 2005 |
|---|------|------|
| 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, September 30, 2006 | \$ 226,152 |

BENCHMARK ENERGY CORP.

Notes to Financial Statements

(Unaudited)

Three months ended September 30, 2006 and 2005

7. RELATED PARTY TRANSACTIONS

For the three months ended September 30, 2006, the Company incurred management service fees and director fees of \$91,845 (2005 - \$27,835) to officers, directors, companies controlled by directors and former directors of the Company.

The Company paid a consultant that provides management services of \$17,111 (2005 - \$12,428) during the three months ended September 30, 2006. The Company also paid the consultant a success fee of \$194,595 (US\$165,090) and a 5% carried interest to a consultant in connection with the Company's acquisition of its 33.33% interest in the Cosmos Concession located in Tunisia during the three months ended September 30, 2005.

At September 30, 2006, accounts payable and accrued liabilities included \$14,472 (June 30, 2006 - \$18,467) of amounts due to related parties.

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.

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Changes in non-cash working capital

| Three months ended September 30, | 2006 | 2005 |
|--|----------|---------|
| Accounts receivable | (8,341) | (3,976) |
| Accounts payable and accrued liabilities | (48,722) | 260 |
| | (57,063) | (3,716) |
| Relating to operating activities | (57,063) | (3,716) |

For the three months ended September 30, 2006 and 2005, the Company did not pay interest or income taxes.