

Challenger Energy Corp.
Consolidated Financial Statements
For the three and nine months ended September 30, 2007
(unaudited)

Challenger Energy Corp.
Consolidated Balance Sheets
(\$CDN)

	September 30, 2007 (unaudited)	December 31, 2006 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 2,031,167	\$ 8,490,137
Accounts receivable	101,032	98,724
Prepays	16,000	-
	2,148,199	8,588,861
Petroleum and natural gas properties (Note 2)	17,580,722	10,753,495
	\$ 19,728,921	\$ 19,342,356
 LIABILITIES		
Current		
Accounts payable and accruals (Note 2)	\$ 563,653	\$ 206,656
	563,653	206,656
Asset retirement obligation	3,468	3,249
	567,121	209,905
 Shareholders' Equity		
Share capital (Note 3b)	18,188,334	16,753,896
Warrants (Note 3e)	243,316	3,600,589
Contributed surplus (Note 4)	7,310,461	1,850,235
Deficit	(6,580,311)	(3,072,269)
	19,161,800	19,132,451
Going concern and economic dependence (Note 1)		
Related party transactions (Note 8)		
Commitments and contingencies (Note 9)		
Subsequent events (Note 11)		
	\$ 19,728,921	\$ 19,342,356

Approved on behalf of the Board of Directors:

"Greg Noval" (signed)

Greg Noval

"Dan MacDonald" (signed)

Dan MacDonald

The accompanying notes are an integral part of these financial statements

Challenger Energy Corp.
Consolidated Statements of Loss and Deficit
For the three and nine months ended September 30, 2007 and 2006
(\$CDN)

	<i>For the 3 months ended September 30, 2007</i>	<i>For the 3 months ended September 30, 2006</i>	<i>For the 9 months ended September 30, 2007</i>	<i>For the 9 months ended September 30, 2006</i>
Revenue				
Oil and natural gas sales	\$ 28,216	39,638	108,685	\$ 133,927
Royalties net of royalty tax credit	(8,265)	(10,323)	(34,094)	(33,671)
Net Production Revenue	19,951	29,315	74,591	100,256
Interest on deposits	38,349	102,686	225,196	314,954
	58,300	132,001	299,787	415,210
Expenses				
Professional fees	21,292	160,305	199,436	389,714
Stock-based compensation	1,099,947	499,661	2,186,639	1,231,236
Office and administration	184,397	72,514	495,914	302,685
Listing fees	-	-	44,711	11,793
Depletion, depreciation and accretion	24,234	29,690	77,247	84,176
Production and operating costs	1,553	8,277	5,247	15,436
Miscellaneous	3,529	10,142	12,770	10,959
	1,334,952	780,589	3,021,964	2,045,999
Net loss from operations	(1,276,652)	(648,588)	(2,722,177)	(1,630,789)
Foreign exchange (loss) gain	(85,072)	1,021	(785,865)	(350,880)
Net loss for the period	(1,361,724)	(647,567)	(3,508,042)	(1,981,669)
Deficit at beginning of period	(5,218,587)	(1,883,874)	(3,072,269)	(549,772)
Deficit at end of period	\$ (6,580,311)	\$ (2,531,441)	\$ (6,580,311)	\$ (2,531,441)
Loss per share (Note 5)	\$ (0.04)	\$ (0.02)	\$ (0.11)	\$ (0.07)

The accompanying notes are an integral part of these financial statements

Challenger Energy Corp.
Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2007 and 2006
(\$CDN)

	<i>For the 3 months ended September 30, 2007</i>	<i>For the 3 months ended September 30, 2006</i>	<i>For the 9 months ended September 30, 2007</i>	<i>For the 9 months ended September 30, 2006</i>
Cash provided by (used for) the following:				
Operating				
Net loss	\$ (1,361,724)	\$ (647,567)	\$ (3,508,042)	\$ (1,981,669)
Items not involved in cash for operations				
Foreign exchange loss (gain)	85,072	(1,021)	785,865	350,880
Depletion, depreciation and accretion	24,234	29,690	77,247	84,176
Stock-based compensation	1,099,947	499,661	2,186,639	1,231,236
Change in non cash working capital	(29,117)	(73,276)	(194,457)	(9,576)
	(181,588)	(45,961)	(652,748)	(324,953)
Financing				
Issue of Common Shares (net of issue costs)	62,500	-	1,092,158	17,991,388
Investing				
Acquisition of petroleum and natural gas assets	(2,771,196)	(40,433)	(6,645,662)	(10,164,524)
Change in non cash working capital (Note 2)	533,146	-	533,147	-
	(2,238,050)	(40,433)	(6,112,515)	(10,164,524)
Increase (decrease) in cash and cash equivalents				
Foreign exchange (loss) gain	(85,072)	1,021	(785,865)	(350,880)
	(2,442,210)	(85,373)	(6,458,970)	7,151,031
Cash and Cash Equivalents at Beginning of Period	4,473,377	8,384,280	8,490,137	1,147,876
Cash and Cash Equivalents at End of Period	\$ 2,031,167	\$ 8,298,907	\$ 2,031,167	\$ 8,298,907

The accompanying notes are an integral part of these financial statements

1. Basis of Presentation

The unaudited interim consolidated financial statements of Challenger Energy Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2006. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2006 except as noted below. The disclosures provided below are incremental to those included with the annual audited Consolidated Financial Statements.

Going Concern and Economic Dependence

The Company is in the exploration stage and is publicly traded on the TSX Venture Exchange and the American Stock Exchange. As at September 30, 2007, the Company is in the process of drilling its first exploration well in Trinidad and Tobago as well as Canada with its joint venture partner (operator) and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability, at September 30, 2007, to fulfill its estimated commitments on the first exploration well is dependant on its ability to obtain borrowing and/or financings from third parties sufficient to meet its current and future obligations.

The Company's ability to continue to participate in the Participation Agreement, and any future participation in the Trinidad Participation Agreement and the Farm-out Agreement is entirely dependent on Canadian Superior Energy Inc., fulfilling its obligations and meeting its terms of its contracts with the respective governments. The Company's contracts are with Canadian Superior Energy Inc. and the respective governments have no obligations to Challenger Energy Corp. During the period ended September 30, 2007, 99% of Challenger's investing activities were in respect to Challenger Energy Corp. paying 1/3 of the costs and expenses paid by Canadian Superior relating to certain wells and the work program described by the production-sharing contract between Canadian Superior Energy Inc. and the Government of Trinidad and Tobago. The recoverability of amounts shown for oil and gas properties are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, Canadian Superior fulfilling its obligations and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of commitments (see note 9) in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its commitments as they become due. The Company's ability to continue as a going concern is dependent upon its ability to continue to obtain borrowings and/or financings from third parties sufficient to meet current and future obligations. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

Adoption of New Accounting Policy

As disclosed in the December 31, 2006 annual audited Consolidated Financial Statements, on January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation", and Section 3865 "Hedges". As required by the new standards, prior periods have not been restated.

The adoption of these standards has had no impact on the Company's net loss or cash flows.

1. Basis of Presentation (continued)

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the standard.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in other comprehensive income. Financial assets “held-to-maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost using the effective interest method of amortization. The methods used by the Company in determining fair value of financial instruments are unchanged as a result of implementing the new standard.

Cash and cash equivalents are designated as “held-for-trading” and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable and accrued revenues are designated as “loans and receivables”. Accounts payable and accrued liabilities are designated as “other liabilities”.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions.

2. Petroleum and Natural Gas Properties

	Canada	Trinidad	Total
Petroleum and natural gas properties	\$ 576,473	\$ 10,364,961	\$ 10,941,434
Less: accumulated depreciation, depletion, and amortization	(129,652)	(58,287)	(187,939)
Balance at December 31, 2006	\$ 446,821	\$ 10,306,674	\$ 10,753,495
Petroleum and natural gas properties	\$ 577,224	\$ 17,268,466	\$ 17,845,690
Less: accumulated depreciation, depletion, and amortization	(206,681)	(58,287)	(264,968)
Balance at September 30, 2007	\$ 370,543	\$ 17,210,179	\$ 17,580,722

At September 30, 2007 the Company has excluded \$17,210,179 (this amount includes \$533,146 of accrued costs incurred to September 30, 2007) of oil and gas properties relating to unproved properties from costs subject to depletion, which relate to its interests in Trinidad and Tobago. General and administrative expenses totalling \$392,909 (2006 - \$nil) were directly related to exploration and development activities and have been capitalized for the nine month period ended September 30, 2007. During 2006, the Company had invested \$58,287 in a bid package on a separate block in Trinidad however it decided not to pursue this and fully depreciated this in the fourth quarter of 2006.

3. Share Capital

a) Authorized

Unlimited number of voting common shares

Unlimited number of First Preferred shares and Second Preferred shares

b) Issued share capital:

	Number	Amount
Common shares		
Balance at December 31, 2006	31,344,008	\$16,753,896
Warrants Exercised	923,512	1,328,898
Options Exercised	510,000	105,530
Balance at September 30, 2007	32,777,520	\$18,188,334

At September 30, 2007, a total of 5,940,000 common shares remain in escrow (December 31, 2006: 7,620,000) and are scheduled for release as follows:

	Number
Common Shares in Escrow at September 30, 2007	5,940,000
December 9, 2007	(1,980,000)
Common Shares in Escrow at December 31, 2007	3,960,000
June 9, 2008	(1,980,000)
December 9, 2008	(1,980,000)
Common Shares in Escrow at December 31, 2008	-

c) Preferred shares

Preferred shares may be issued in one or more series, and the Directors are authorized to fix the number of shares in each series and to determine the designations, rights, privileges, restrictions, and conditions attached to the shares of each series.

Challenger Energy Corp.
Notes to the Consolidated Financial Statements
For the nine months ended September 30, 2007

3. Share Capital (continued)

d) Stock options

The Company has adopted an incentive stock option plan whereby the Company may grant options to its directors, officers, employees, and consultants. The stock option plan was amended by the shareholders of the Company on May 30, 2006 where the total options issuable in the plan is the greater of 6 million options or 10% of the issued and outstanding shares. These options are exercisable for a period of five years from the date of grant, are priced at the fair value of the shares at the time of the grant, and are included in compensation expense over the vesting period with an offsetting credit to contributed surplus.

	Number of Options	Weighted Average Exercise price	Weighted Average Expiry (years)
Balance, December 31, 2006	5,220,000	\$1.47	4.0
Exercised	(510,000)	0.14	2.8
Granted	905,000	2.54	4.7
Balance, September 30, 2007	5,615,000	\$1.76	3.6

In respect to the 5,615,000 stock options outstanding, 2,876,400 were exercisable at September 30, 2007 (December 31, 2006: 900,000).

Details of stock options outstanding at September 30, 2007 are as follows:

Number	Exercise Price	Expiry Date	Exercisable
1,000,000	\$0.10	2010	1,000,000
300,000	0.25	2010	150,000
380,000	2.10	2011	185,000
2,890,000	2.25	2011	1,306,400
150,000	2.29	2011	150,000
750,000	2.50	2012	-
155,000	2.74	2012	85,000
5,615,000			2,876,400

e) Share purchase warrants issued:

Details of warrants outstanding at September 30, 2007 are as follows:

	Number of Warrants	Amount (\$)	Weighted Average Exercise Price (\$)	Weighted Average Expiry (years)
Balance at December 31, 2006	5,722,222	3,600,589	2.12	0.73
Stock based compensation		11,157	-	-
Warrants exercised	(923,512)	(309,250)	1.10	0.52
Warrants expired	(3,998,710)	(3,059,180)	2.75	0.00
Balance at September 30, 2007	800,000	243,316	0.18	2.74

3. Share Capital (continued)

In the year ended December 31, 2006, the Company issued 8,644,444 units for gross proceeds of approximately \$19.5 million, relating to a best efforts unit offering. Each \$2.25 unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitled the holder to purchase a common share until December 31, 2006 at a price of \$2.75 per common share. The weighted average fair value per each warrant was estimated to be \$0.77. On December 18, 2006 the TSX Venture exchange consented to the extension of the expiry date for these warrants to February 28, 2007. The Company calculated the fair value of the warrant extension using the Black Scholes option pricing model which was estimated to be \$0.05 per warrant or \$177,211. In respect to these 4,322,222 warrants, 323,512 were exercised and the remaining expired on February 28, 2007.

At September 30, 2007, a total of 450,000 warrants were held in escrow and are scheduled for release in accordance with the release schedule outlined for common shares; 150,000 warrants on each date as outlined in note 3(b).

4. Contributed Surplus

Changes in contributed surplus are as follows:

Balance at December 31, 2006	\$	1,850,235
Warrants Expired		3,059,180
Stock Based Compensation		2,423,363
Options Exercised		(22,317)
Balance at September 30, 2007	\$	7,310,461

5. Loss per Share

The basic weighted average number of shares for the nine months ended September 30, 2007, is 32,106,688 (period ended September 30, 2006 – 29,385,140), and for the three months ended September 30, 2007, 32,532,955 (period ended September 30, 2006 – 31,244,008). Diluted loss per common share has not been disclosed as the effect of common shares issuable upon the exercise of share options and warrants is anti-dilutive.

6. Stock-Based Compensation

During the period ended September 30, 2007, 905,000 options (period ended September 30, 2006 – 3,420,000 at \$2.18) were granted on common shares with a weighted average exercise price of \$2.54 per share. The options remaining at September 30, 2007 vest over a period of two to three years, and expire five years from the issue date. During the nine month period ended September 30, 2007, \$2,423,363 (period ended September 30, 2006 – \$1,220,080) of stock based compensation was recognized with an offsetting credit to contributed surplus.

6. Stock-Based Compensation (continued)

The fair value of the options and warrants issued was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Risk free interest rate (%)	4.3 %	3.5-4.5 %
Expected volatility (%)	98%	50%
Expected life (years)	5	5
Expected dividends	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options and warrants.

7. Financial Instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest rate, credit concentration, or foreign currency risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its cash holdings.

Credit concentration risk

Accounts receivable from one customer in connection with oil and gas production represents 32% (December 31, 2006 - 49%) of total accounts receivable as at September 30, 2007. The Company believes that there is minimal risk associated with the collection of these amounts.

Foreign currency risk

The Company is exposed to foreign currency fluctuations in relation to cash, certain accounts receivable and accounts payable which are denominated in U.S. dollars. In addition, the Company has certain commitments denominated in U.S. dollars as described in note 9. As at September 30, 2007 and December 31, 2006, the following items are denominated in U.S. currency:

	September 30, 2007	December 31, 2006
Cash	\$ 1,533,260	\$ 7,185,151
Accounts payable	513,662	55,652

8. Related Party Transactions

The Company has entered into agreements with Canadian Superior Energy Inc. ("Canadian Superior"), which is a related party, as the Chairman and director of the Company is also the Executive Chairman, and a Director of Canadian Superior. As a result of the foregoing, related party transactions have occurred between the Company and Canadian Superior and may also occur in the future. In the nine months ended September 30, 2007, \$8,250 (period ended September 30, 2006 - \$22,500) was paid by the Company to Canadian Superior in respect to office rent. As at September 30, 2007, the Company has accrued \$0.5 million U.S. dollars as owing to Canadian Superior in relation to its Participation Agreement in Block 5(c) (Note 9). Any improperly billed costs to Canadian Superior from its contractors have not been invoiced to the Company and will not be until resolution. In addition, the Company has paid \$34,788 (period ended September 30, 2006 - \$30,242) for services at commercial terms to a company controlled by a Director of the Company. A company controlled by a director of the Company earned \$18,767 (period ended September 30, 2006 - \$22,459) from a gross overriding royalty on revenue earned from the Company's Innisfail well. At September 30, 2007, \$24,770 remains owing from a company controlled by a director of the Company. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Commitments and Contingencies

In respect to the Block 5(c) Participation Agreement (described in Note 1 of the Company's annual financial statements), the Company is also obligated to pay its 1/3 of Canadian Superior's costs incurred to that date as set-out in the production sharing contract. With its April 1, 2006 payment of \$2.9 million, the Company is committed to participate in three wells in Block 5(c) with Canadian Superior. The total estimate for the Company's share of drilling and potential abandonment costs of the first exploration well is estimated at \$22.3 million (this figure may climb up to \$26.1 million depending on resolution of costs in dispute between operator and contractors) and additional funding will be required if testing and completion of the well is performed (Company's share is estimated at \$6 million). As of September 30, 2007, the Company has funded \$16.0 million (\$2.9 million April 1, 2006 payment and \$13.1 million towards the first exploration well) of its obligations towards the Block 5(c) Participation Agreement and has accrued \$0.5 million in further obligations. The estimate for Challenger's share of the drilling and potential abandonment costs of the three well commitment is estimated at \$70 million (with potential testing costs estimated at \$6 million per well). For each of the three wells, the actual costs to fund its one-third share is unknown to date and can only be estimated. The actual funding costs may be higher or lower. The obligations to Canadian Superior are due in US dollars (the Company holds the majority of its cash in US funds) and therefore, the Company's projected funding obligation is subject to the actual cost incurred by Canadian Superior and fluctuation in exchange rate.

The Company, as a result of the reverse takeover and merger with Global Express Energy ("Global") (described in Note 1 of the Company's annual financial statements), Global was named as defendant in a lawsuit by National Income Protection Plan Inc. (formerly Assure Health Management), seeking to recover damages allegedly sustained by them as a result of breach of an implied term in the contract between the parties. Accordingly through the reverse take-over and a merger with Global, the Company is a party to the litigation. The Company has been indemnified by a third party for any costs or damages that may result from this claim. In the opinion of the Company and indemnifying third party, the action is without merit. The plaintiff is seeking costs and damages in the amount of approximately \$700,000 and the Company and the indemnifying party are aggressively dealing with this matter.

No amount has been accrued for this claim in the financial statements.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation

11. Subsequent Events

Subsequent to September 30, 2007, the Company announced it has entered into an agreement for the issuance of special warrants (convertible for 1 common share) on a private placement basis at \$1.80 per warrant. The Company is targeting a total gross proceeds of \$3.5 million.

11. Subsequent Events (*continued*)

Subsequent to September 30, 2007, the Company issued 75,000 stock options to a consultant.