



**Condensed Consolidated Interim Financial
Statements (unaudited)**

**Three and Six Months Ended
September 30, 2017 and 2016**

BENGAL ENERGY LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Thousands of Canadian dollars)

(unaudited)

As at	September 30, 2017	March 31, 2017
	Notes	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,968	\$ 3,903
Restricted cash	140	140
Accounts receivable	3,523	3,575
Prepaid expenses and deposits	159	193
Fair value of financial instruments	9	820
	7,790	8,631
Non-current assets:		
Exploration and evaluation assets	3	19,900
Petroleum and natural gas properties	4	28,342
	48,242	49,075
Total assets	\$ 56,032	\$ 57,706
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,114	\$ 1,484
Current portion of credit facility	5	3,332
Fair value of financial instruments	9	-
	5,683	4,816
Non-current liabilities:		
Decommissioning liability	6	1,352
Credit facility	5	12,321
Fair value of financial instruments	9	82
	13,755	14,786
Shareholders' equity:		
Share capital	98,100	98,100
Contributed surplus	7,689	7,645
Accumulated other comprehensive income	482	2,085
Deficit	(69,677)	(69,726)
	36,594	38,104
Total liabilities and shareholders' equity	\$ 56,032	\$ 57,706

Commitments (note 11)

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(Thousands of Canadian dollars, except per share amounts)

(unaudited)

		Three months ended September 30,		Six months ended September 30,	
		2017	2016	2017	2016
	Notes				
Income					
Petroleum and natural gas revenue		\$ 2,410	\$ 2,301	\$ 4,716	\$ 4,790
Royalties		(144)	(34)	(283)	(181)
		2,266	2,267	4,433	4,609
Realized gain (loss) on financial instruments		(69)	1,316	1,054	2,592
Unrealized (loss) on financial instruments		(444)	(1,205)	(1,256)	(3,977)
		1,753	2,378	4,231	3,224
Operating expenses					
General and administrative		611	650	1,159	1,369
Operating and transportation		1,238	1,190	1,908	2,607
Depletion and depreciation	4	505	629	996	1,295
Share-based compensation		32	14	39	25
		2,386	2,483	4,102	5,296
Operating (loss) income		(633)	(105)	129	(2,072)
Other (expenses)					
Other		124	316	124	316
Finance expenses	8	(235)	(265)	(481)	(582)
Foreign exchange gain (loss)		244	379	277	(73)
		133	430	(80)	(339)
Net (loss) income		(500)	325	49	(2,411)
Exchange differences on translation of foreign operations		(811)	1,284	(1,603)	174
Total comprehensive (loss) income for the period		\$ (1,311)	\$ 1,609	\$ (1,554)	\$ (2,237)
Earnings (loss) per share	7				
- Basic & diluted		\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.04)
Weighted average number of shares outstanding (000s)	7				
- Basic		102,267	68,178	102,267	68,178
- Diluted		102,267	68,178	102,267	68,178

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Thousands of Canadian dollars)

(unaudited)

	Shares outstanding	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
Balance at April 1, 2016	68,177,796	\$ 94,151	\$ 167	\$ 7,442	\$ 1,335	\$ (66,958)	\$ 36,137
Net loss for the period	-	-	-	-	-	(2,411)	(2,411)
Comprehensive income for the period	-	-	-	-	174	-	174
Expiry of warrants	-	-	(167)	167	-	-	-
Share-based compensation – expensed	-	-	-	25	-	-	25
Share-based compensation – capitalized	-	-	-	6	-	-	6
Balance at September 30, 2016	68,177,796	\$ 94,151	\$ -	\$ 7,640	\$ 1,509	\$ (69,369)	\$ 33,931
Balance at April 1, 2017	102,266,694	\$ 98,100	\$ -	\$ 7,645	\$2,085	\$ (69,726)	\$ 38,104
Net income for the period	-	-	-	-	-	49	49
Comprehensive loss for the period	-	-	-	-	(1,603)	-	(1,603)
Share-based compensation – expensed	-	-	-	39	-	-	39
Share-based compensation – capitalized	-	-	-	5	-	-	5
Balance at September 30, 2017	102,266,694	\$ 98,100	\$ -	\$ 7,689	\$ 482	\$ (69,677)	\$ 36,594

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Thousands of Canadian dollars)

(unaudited)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2017	2016	2017	2016
Operating activities					
Net (loss) income for the period		\$ (500)	\$ 325	\$49	\$ (2,411)
Depletion and depreciation		505	629	996	1,295
Accretion on decommissioning liability		9	9	19	17
Accretion on credit facility		52	59	110	157
Gain on disposal		(124)	-	(124)	-
Share-based compensation		32	14	39	25
Unrealized loss (gain) on financial instruments		444	1,205	1,256	3,977
Unrealized foreign exchange (gain) loss		(308)	(444)	(401)	85
Funds from operations		110	1,797	1,944	3,145
Change in non-cash working capital	10	538	185	394	(207)
Net cash from operating activities		648	1,982	2,338	2,938
Investing activities					
Exploration and evaluation expenditures	3	(91)	(109)	(230)	(241)
Petroleum and natural gas properties	4	(1,436)	(3,211)	(2,000)	(3,462)
Changes in non-cash working capital	10	1,369	1,512	264	1,498
Net cash used in investing activities		(158)	(1,808)	(1,966)	(2,205)
Financing activities					
Repayment of debt		-	(1,984)	-	(1,984)
Facility extension fees		(95)	(130)	(95)	(130)
Changes in non-cash working capital	10	(3)	(16)	(59)	87
Net cash from (used in) financing activities		(98)	(2,130)	(154)	(2,027)
Impact of foreign exchange on cash and cash equivalents		(74)	98	(153)	17
Net increase (decrease) in cash and cash equivalents		318	(1,858)	65	(1,277)
Cash and cash equivalents, beginning of period		3,650	3,591	3,903	3,010
Cash and cash equivalents, end of period		\$ 3,968	\$ 1,733	\$3,968	\$1,733

See accompanying notes to the condensed consolidated interim financial statements.

BENGAL ENERGY LTD.

Notes to Condensed Consolidated Interim Financial Statements (the “financial statements”)

Three and six months ended September 30, 2017 and 2016

(Tabular amounts are stated in thousands of Canadian dollars except share and per share amounts)
(unaudited)

1. REPORTING ENTITY

Bengal Energy Ltd (the “Company” or “Bengal”) is incorporated under the laws of the Province of Alberta and is involved in the exploration for and development and production of oil and gas reserves in Australia, India and Canada. The condensed consolidated interim financial statements (the “financial statements”) of the Company are comprised of the Company and all its wholly-owned subsidiaries including Bengal Energy International Inc. and Bengal Energy Australia (Pty) Ltd., which are incorporated in Canada and Australia respectively. The Company conducts many of its activities jointly with others; these financial statements reflect only the Company’s proportionate interest in such activities.

Bengal’s principal place of business and registered office is located at 2000, 715 5th Ave SW, Calgary, Alberta, Canada, T2P 2X6.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements are stated in Canadian dollars and have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended March 31, 2017.

The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s annual filings for the year ended March 31, 2017.

The condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 8, 2017.

b) Basis of measurement

These condensed consolidated financial statements have been prepared on a historical cost basis, except for commodity contracts, which are recognized at fair value.

c) Functional and presentation currency

The Company’s presentation currency is Canadian dollars. The functional currency of the Canadian parent entity is Canadian dollars, the functional currency of the Indian subsidiary is US dollars and the functional currency of the Australian subsidiaries is Australian dollars.

3. EXPLORATION AND EVALUATION ASSETS (E&E ASSETS)

(\$000s)	Exploration and Evaluation Expenditures
Balance at April 1, 2016	19,626
Additions	407
Capitalized share-based compensation	3
Exchange adjustments	493
Balance at March 31, 2017	20,529
Additions	230
Capitalized share-based compensation	2
Exchange adjustments	(861)
Balance at September 30, 2017	19,900

Exploration and evaluation assets consist of the Company's exploration projects in Australia which are pending the determination of proved or probable reserves. Costs primarily consist of acquisition costs, geological & geophysical work, seismic and drilling and completion costs until the drilling of wells is complete and the results have been evaluated.

A summary of E&E assets is shown in the table below:

(\$000s)	Australia
ATP 732P – Tookoonooka	\$ 16,573
ATP 752P	1,273
ATP 934P – Barrolka	1,114
Other ⁽¹⁾	1,569
March 31, 2017	\$ 20,529
(\$000s)	Australia
ATP 732P – Tookoonooka	\$ 15,913
ATP 752P	1,221
ATP 934P – Barrolka	1,200
Other ⁽¹⁾	1,566
September 30, 2017	\$ 19,900

- (1) Other includes capitalized G&A, share-based compensation and foreign exchange effects on these assets denominated in foreign currencies.

4. PETROLEUM AND NATURAL GAS PROPERTIES

\$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
<i>Cost:</i>			
Balance at April 1, 2016	41,820	344	42,164
Additions	5,211	-	5,211
Capitalized share-based compensation	4	-	4
Change in decommissioning obligation	80	-	80
Exchange adjustments	760	-	760
Balance at March 31, 2017	47,875	344	48,219
Additions	2,000	-	2,000
Disposals	(4,316)	-	(4,316)
Capitalized share-based compensation	3	-	3
Exchange adjustments	(1,136)	-	(1,136)
Balance at September 30, 2017	44,426	344	44,770

\$000s	Petroleum and Natural Gas Properties	Corporate Assets	Total
<i>Accumulated depletion, depreciation and impairment losses:</i>			
Balance at April 1, 2016	17,020	269	17,289
Depletion and depreciation charge	2,291	18	2,309
Exchange adjustments	75	-	75
Balance at March 31, 2017	19,386	287	19,673
Depletion and depreciation charge	988	8	996
Disposals	(4,316)	-	(4,316)
Exchange adjustments	75	-	75
Balance at September 30, 2017	16,133	295	16,428
<i>Net carrying value</i>			
At March 31, 2017	28,489	57	28,546
At September 30, 2017	28,293	49	28,342

The calculation of depletion for the quarter ended September 30, 2017 included \$73.4 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2017 - \$73.4 million).

During the second quarter of 2018, the Company disposed of petroleum and natural gas properties that had no net carrying value for nominal proceeds. The properties had an associated liability of \$124,000.

5. CREDIT FACILITY

Facility Agreement – Issued November 12, 2014 (\$000s)		
Gross proceeds		15,364
Total cash fees		(994)
Repayment		(1,984)
		12,386
Unrealized foreign exchange loss		3,238
Accretion		876
Balance at March 31, 2017		16,500
Facility extension fees		(95)
Unrealized foreign exchange gain		(1,078)
Accretion		110
Balance at September 30, 2017		15,437
Current portion of credit facility at,	September 30,	March 31,
	2017	2017
Current portion of credit facility	3,116	3,332
Non-current portion of credit facility	12,321	13,168

In October 2014, Bengal closed its US \$25.0 million secured credit facility with Westpac Institutional Bank and placed an initial draw on November 12, 2014 of US \$14.0 million. On August 26, 2016 following a US \$1.5 million repayment, the Company extended the credit facility by 18 months to December 2018 with a borrowing base of US \$15 million. On September 25, 2017, the Company extended the credit facility to December 2019 with a borrowing base of US \$12.5 million. The facility is secured by the Company's producing assets in the Cuisinier field in Australia's Cooper Basin, has a five and one-half year term and carries an interest rate of US Libor plus 3.2%. Based on the extension, the Company is committed to extending its derivative contracts through December 2019 prior to June 30, 2018.

The credit facility is structured as a reserves-based revolving facility under a predetermined reduction schedule, to be evaluated based on existing reserves at each calculation date. The reduction schedule commences on June 30, 2018 and occurs every six months thereafter until December 31, 2019 with a nominal reduction of US \$2.5 million to the facility limit at each calculation date (through June 30, 2019) based on the Company's existing reserve profile and a nominal reduction of US \$5 million at December 31, 2019. The facility limit at September 30, 2017 is US \$12.5 million, of which US \$12.5 million is currently drawn.

The credit facility's reserve based covenants include a debt service coverage ratio (cash available for debt payments divided by mandatory debt repayments) as well as a loan life coverage ratio (net present value of future cash available for debt service divided by the available facility). These covenants impact the Company's available facility limit, and therefore the ability to secure its debt as a percentage of reserve forecasts and are evaluated at each calculation date. These covenants are calculated using inputs as prescribed by Westpac, and a default event triggered by a breach of covenants may result in a full redemption of all outstanding borrowings under the terms of the credit facility. The Company was in compliance with the stated covenants at September 30, 2017.

6. DECOMMISSIONING AND RESTORATION LIABILITY

The total decommissioning and restoration obligations were estimated by management based on the estimated costs to reclaim and abandon the wells, well sites and certain facilities based on the Company's contractual requirements.

Changes to decommissioning and restoration obligations were as follows:

(\$000s)	September 30, 2017	March 31, 2017
Decommissioning liabilities, beginning of period	1,516	1,422
Change in estimate net of disposals	(124)	(259)
Additions	-	278
Accretion	19	37
Exchange adjustments	(59)	38
Decommissioning liabilities, end of period	1,352	1,516

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas properties. The Company estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning and restoration costs at September 30, 2017 is approximately \$2.1 million (March 31, 2017 – \$2.3 million) which will be incurred between 2020 and 2046. An inflation factor of 1.3% and a risk-free discount rate of 2.7% have been applied to the decommissioning liability at September 30, 2017.

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

Unlimited number of preferred shares, of which none have been issued.

(b) Issued:

The following provides a continuity of share capital:

(\$000s)	Number of Shares	Amount
Balance at April 1, 2016	68,177,796	94,151
Issued on exercise of rights offering	34,088,898	4,091
Share issue costs	-	(142)
Balance at March 31, 2017 and September 30, 2017	102,266,694	98,100

(c) Share-based compensation – stock options:

A summary of stock option activity is presented below:

	Options	Weighted Average Exercise Price
Outstanding at March 31, 2017	2,702,500	\$ 0.43
Granted	3,330,000	0.10
Forfeited	(543,853)	0.11
Outstanding at September 30, 2017	5,488,647	\$ 0.26
Exercisable at September 30, 2017	1,897,243	\$ 0.54

The fair value of options granted during fiscal 2018 were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting

values:

Granted fiscal Q1 2018	
Assumptions:	
Risk free interest rate (%)	1.13%
Expected life (years)	5 yrs
Expected volatility (%) ⁽¹⁾	91%
Estimated forfeiture rate (%)	-
Weighted average fair value of options granted	\$0.07
Weighted average share price on date of grant	\$0.10

(1) Expected volatility is estimated by considering historic average share price volatility.

The fair value of stock options granted during fiscal 2018 was approximately \$234,000. No options were granted during the year ended March 31, 2017.

(d) Per share amounts:

Income (loss) per share is calculated based on net loss and the weighted-average number of common shares outstanding.

(\$000s)	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
(Loss) income for the period				
Weighted average number of common shares (basic)	102,267	68,178	102,267	68,178
Weighted average number of common shares (diluted)	102,267	68,178	102,267	68,178
Basic & diluted income (loss) per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.04)

For the three and six months ended September 30, 2017, there were 5,488,647 (three and six months ended September 30, 2016 – 3,587,500) options considered anti-dilutive.

8. FINANCE INCOME/EXPENSES

(\$000s)	Three months ended September 30,		Six months ended September 30,	
	2017	2016	2017	2016
Interest income	4	2	10	3
Accretion on decommissioning obligations	(9)	(9)	(19)	(17)
Letter of credit charges	-	(7)	-	(55)
Interest on credit facility	(230)	(251)	(472)	(513)
Finance income (expenses)	(235)	(265)	(481)	(582)

9. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit, liquidity and market risk from its use of financial instruments. This note presents information about the Company's exposure to these risks, the Company's objectives and policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Bengal's

management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Bengal's cash calls paid to joint venture partners and receivables from petroleum and natural gas marketers. As at September 30, 2017, Bengal's receivables consisted of \$3.5 million (March 31, 2017 - \$3.1 million) from joint venture partners and \$nil million (March 31, 2017 - \$0.4 million) of other trade receivables of which \$0.8 million has been subsequently collected.

In Australia, production is purchased by a consortium led by one of Australia's largest public oil and gas companies which is also the operator of Bengal's production. Bengal has a Crude Oil Purchase Agreement with this purchaser and has not experienced any collection problems to date.

Cash calls paid to Bengal's Australian joint venture partners are held in trust accounts by the partner until spent. Bengal attempts to mitigate the risk from joint venture receivables by approving significant spending by partners prior to expenditure and only paying the cash call shortly before the funds are to be spent.

The Company had no accounts considered past due at September 30, 2017, (March 31, 2017- \$nil million). Past due is considered greater than 90 days outstanding.

The carrying amount of accounts receivable and cash and cash equivalents and fair value of financial instruments represents the maximum credit exposure. Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection. Bengal does not have an allowance for doubtful accounts as at September 30, 2017 and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the six months ended September 30, 2017. Exposure to the carrying value of its financial instruments relates to the Company's commodity-based derivatives held by Westpac Banking Corporation, which carries a Standard & Poor's credit rating of AA-. Management considers the credit risk of these instruments to be adequately mitigated by the credit stating of their holder; therefore, no allowance has been established.

Cash and cash equivalents, when held, consist of cash bank balances and guaranteed investment certificates redeemable at any time. Bengal manages the credit exposure related to guaranteed investments by selecting counterparties based on credit ratings and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset-backed commercial paper.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations, including work commitments, as they are due. Bengal prepares an annual budget and updates forecasts for operating, financing and investing activities on an ongoing basis to ensure it will have sufficient liquidity to meet its liabilities when due.

Bengal's financial liabilities consist of accounts payable and accrued liabilities and credit facility and amounted to \$17.6 million at September 30, 2017 (March 31, 2017 - \$18.1 million).

At September 30, 2017, the Company had working capital of \$2.1 million, including cash and short-term deposits of \$4.0 million and restricted cash of \$0.1 million, compared to working capital of \$3.8 million at March 31, 2017 and working capital of \$4.4 million at September 30, 2016. The Company has no available undrawn debt capacity under its Westpac credit facility.

The majority of the Company's oil sales are benchmarked on dated Brent prices which averaged US \$50.97/bbl for the six months ended September 30, 2017. The Company incurs most of its

expenditures in Australian dollars whereas the Company generates most of its revenues in US dollars. To mitigate the net impact of low crude prices, the Company is acting with its joint venture partners to reduce discretionary spending and focus capital towards lower risk projects with near-term cash flow upside. The Company has also entered into derivative commodity contracts to reduce the impact of price volatility.

Bengal will continue to monitor trends in commodity prices to ensure its financial obligations are met, while continuing to grow its asset base where appropriate. Under the current commodity price environment, the Company has no plans to use its internal source of cash to fund exploration activities. These are expected to be financed through farm-out or alternative financing sources.

The table below indicates the current payment schedule for the credit facility:

Credit facility (US\$000s)	
Fiscal year 2018	-
Fiscal year 2019	5,000
Fiscal year 2020	7,500
	12,500

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates in the normal course of operations. A variety of derivative instruments may be used to reduce exposure to these risks.

Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Bengal receives U.S. dollars for Australian oil sales and incurs expenditures in Australian, Canadian and U.S. currencies. Having sales and expenditures denominated in three currencies spreads the impact of individual currency fluctuations.

The Company may enter into derivative foreign currency contracts in order to manage foreign currency exchange rate risk, but has not done so to date.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

As at September 30, 2017				
(\$000s)				
	CAD	AUD	USD	Total
Cash and cash equivalents	851	60	3,057	3,968
Restricted cash	140	-	-	140
Accounts receivable	10	3,513	-	3,523
Accounts payable and accrued liabilities	(219)	(1,895)	-	(2,114)
Credit facility	-	-	(15,437)	(15,437)
Fair value of financial instruments	-	-	(535)	(535)
	782	1,678	(12,915)	(10,455)

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of a change in commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. Australian oil prices are based on the Dated Brent reference price, which trades at a premium to WTI.

At September 30, 2017, the following derivative contracts were outstanding and recorded at estimated fair value:

Time Period	Type of Contract	Quantity Contracted (bbls)	Price Floor (US\$/bbl)	Price Ceiling (US\$/bbl)
Oct. 1, 2017 – December 31, 2018	Oil - Swap	56,609	47.00	47.00
Oct. 1, 2017 – December 31, 2018	Oil – Put option	56,609	47.00	-
(\$000s)		Oil - swap	Oil – put	Total
Current fair value of financial instruments		(521)	68	(453)
Non-current fair value of financial instruments		(121)	39	(82)
Total		(642)	107	(535)

A US \$1.00 increase in the future crude oil price per barrel would result in an approximate US \$113,000 decrease in the fair value of financial instruments at September 30, 2017 while a \$ US 1.00 decrease would result in an increase of approximately US \$113,000 in the fair value of the instruments.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its cash and cash equivalents at September 30, 2017 as the funds are not invested in an interest-bearing instrument. The Company's credit facility carries a floating interest rate based on quoted US dollar LIBOR rates. The Company had no interest rate derivatives at September 30, 2017.

For the six months ended September 30, 2017, a 1% increase in US Libor would increase interest expense by \$81,000.

10. CHANGES IN NON-CASH WORKING CAPITAL

Six months ended (\$000s)	September 30, 2017	September 30, 2016
Accounts receivable	52	551
Prepaid expenses and deposits	34	(4)
Accounts payable and accrued liabilities	630	838
Impact of foreign exchange	(117)	(7)
Total	599	1,378
Relating to:		
Operating	394	(207)
Financing	(59)	87
Investing	264	1,498
Total	599	1,378

The following represents the cash interest paid and received in each period.

Six months ended (\$000s)	September 30, 2017	September 30, 2016
Cash interest paid	354	356
Cash interest received	10	3

11. COMMITMENTS

Pursuant to current production sharing contracts ("PSC"), the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. Additional commitments are reflected where the Company has agreed with joint operating partners to proceed with activities. The costs of these activities are based on minimum work budgets included in bid documents and have not been provided for in the financial statements. Actual costs will vary from budget.

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. The Company acquired an additional 21.43% working interest and received ministerial approval for the acquisition on August 11, 2015. Currently, the Company holds a 71.43% operating interest in this permit. Work program consists of 200 kilometers of 3D seismic and up to three wells, which would require a discretionary capital spend of \$2.8 million in 2018 net to Bengal.

Country and Permit	Work Program	Obligation Period Ending	Estimated Expenditure (net) (millions CAD\$) ⁽¹⁾
Onshore Australia – ATP 934P	200 km ² of 3D seismic and up to three wells	March 2021	\$11.5
Onshore Australia – ATP 752P	Barta West 3D seismic program	February 2018	\$1.5

(1) Translated at September 30, 2017 at an exchange rate of AUS \$1.00 = CAD \$0.9760

At September 30, 2017 the Company had the following lease commitment for office space in Canada.

(\$000s)					
July 2017 to November 2023	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	944	129	311	311	193

12. SEGMENTED INFORMATION

As at September 30, 2017, the Company has three reportable operating segments being the Australian and Indian oil and gas operations, and corporate.

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in any of the reported periods.

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit represents the profit earned by each segment without allocation of directors' salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the six months ended September 30, 2017 (\$000s)				
	Australia	Corporate	India	Total
Revenue	4,716	-	-	4,716
Interest revenue	10	-	-	10
Interest expense	472	-	-	472
Depletion and depreciation	989	7	-	996
Net earnings (loss)	501	(449)	(3)	49
Exploration and evaluation expenditures	230	-	-	230
Petroleum and natural gas property expenditures	2,000	-	-	2,000
As at September 30, 2017 (\$000s)				
Petroleum and natural gas properties				
Cost	44,449	321	-	44,770
Accumulated impairment loss	(797)	-	-	(797)
Accumulated depletion and depreciation	(15,359)	(272)	-	(15,631)
Net book value	28,293	49	-	28,342
Exploration and evaluation assets	29,019	-	7,871	36,890
Accumulated impairment losses	(9,119)	-	(7,871)	(16,990)
Net book value	19,900	-	-	19,900
For the six months ended September 30, 2016 (\$000s)				
	Australia	Corporate	India	Total
Revenue	4,790	-	-	4,790
Interest income	3	-	-	3
Interest expense	513	-	-	513
Depletion and depreciation	1,285	10	-	1,295
Net earnings (loss)	(1,646)	(605)	(160)	(2,411)
Exploration and evaluation expenditures	241	-	-	241
Petroleum and natural gas property expenditures	3,462	-	-	3,462
As at September 30, 2016 (\$000s)				
Petroleum and natural gas properties				
Cost	41,594	4,638	-	46,232
Accumulated impairment losses	(796)	(310)	-	(1,106)
Accumulated depletion and depreciation	(13,292)	(4,262)	-	(17,554)
Net book value	27,506	66	-	27,572
Exploration and evaluation assets	29,299	-	8,297	37,596
Accumulated impairment losses	(9,247)	-	(8,297)	(17,544)
Net book value	20,052	-	-	20,052

For the three months ended September 30, 2017 (\$000s)				
	Australia	Corporate	India	Total
Revenue	2,410	-	-	2,410
Interest revenue	4	-	-	4
Interest expense	230	-	-	230
Depletion and depreciation	502	3	-	505
Net earnings (loss)	(299)	(201)	-	(500)
Exploration and evaluation expenditures	91	-	-	91
Petroleum and natural gas property expenditures	1,436	-	-	1,436
For the three months ended September 30, 2016 (\$000s)				
	Australia	Corporate	India	Total
Revenue	2,301	-	-	2,301
Interest revenue	2	-	-	2
Interest expense	251	-	-	251
Depletion and depreciation	624	5	-	629
Net earnings (loss)	620	(263)	(32)	325
Exploration and evaluation expenditures	109	-	-	109
Petroleum and natural gas property expenditures	3,211	-	-	3,211

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Johnson Winter Slattery • Brisbane, Australia

BANKERS

Royal Bank of Canada • Calgary, Canada
WestPac • Sydney, Australia
ICICI Bank Ltd. • Calgary, Canada and Mumbai, India

REGISTRAR AND TRANSFER AGENT

Computershare • Toronto, Canada

INVESTOR RELATIONS

5 Quarters Investor Relations, Inc. • Calgary, Canada

DIRECTORS

Chayan Chakrabarty
Peter D. Gaffney
James B. Howe
Dr. Brian J. Moss
Robert D. Steele
Ian J. Towers (Chairman)
W.B. (Bill) Wheeler

DISCLOSURE COMMITTEE

All Directors are members of the Committee

AUDIT COMMITTEE

James B. Howe (Chairman)
Robert D. Steele
W.B. (Bill) Wheeler

RESERVES COMMITTEE

Peter D. Gaffney (Chairman)
Dr. Brian J. Moss

GOVERNANCE AND COMPENSATION COMMITTEE

Peter D. Gaffney
Dr. Brian J. Moss
Robert D. Steele (Chairman)
Ian J. Towers

OFFICERS

Chayan Chakrabarty, President & Chief Executive Officer
Richard N. Edgar, Executive Vice President
Scott Megaffin, Chief Financial Officer
Gordon R. MacMahon, Vice President, Exploration
Bruce Allford, Secretary

STOCK EXCHANGE LISTING – TSX: BNG