International exploration & production

Management's Discussion & Analysis

Three and Twelve Months Ended
March 31, 2017 and 2016

FISCAL 2017 HIGHLIGHTS

Financial Highlights:

- **Continued Reserve Growth** - The Company's independently evaluated year-end corporate reserve volumes have increased by 25% and 14% to 2,761 thousand barrels (Mbbls) and 7,056 Mbbls for the Proved ("1P") and Proved plus Probable ("2P") reserve categories respectively. These increases result from the impacts of the Company's ongoing capital programs. Based on 1P and 2P reserves additions, Bengal has replaced approximately 5 times and 7 times its annual corporate production, respectively.
- **Revenue –** Crude oil sales revenue was $2.2 million in the fourth quarter of fiscal 2017, which is 4% lower than the $2.3 million recorded in Q3 2017 and 3% lower than crude oil sales during fiscal Q4 2016. The decreases are driven by natural production declines, partially offset by increases in benchmark crude oil prices. Annual crude oil sales for fiscal 2017 were $9.3 million compared to $11.2 million during fiscal 2016. The 17% decline is due primarily to natural production declines.
- **Hedging –** At March 31, 2017, the Company had 29,000 barrels of oil ("bbls") remaining in its US $80 hedging program, which is comprised of a blend of puts and swaps with a floor price of US $80/bbl that expire on June 30, 2017.
- **Funds Flow from Operations –** Funds flow from operations generated during Q4 2017 was $1.6 million compared to $1.4 million during the previous quarter and during fiscal Q4 2016. The increase is due to reductions in operating expenses and royalty credits realized during the quarter. Annual funds from operations were $6.2 million in fiscal 2017 compared to $4.0 million in fiscal 2016. The 57% increase was the result of a 23% increase in realized gain on financial instruments and royalty credits described above.
- **Earnings** - The Company recorded net income of $1.9 million for the fourth quarter of fiscal 2017, compared to a $2.3 million net loss in the preceding quarter and a net loss $11.7 million during Q4 fiscal 2016. Annual net losses were $2.8 million during fiscal 2017 compared to losses of $10.4 million recorded in the previous year. Excluding the impact of unrealized foreign exchange and unrealized hedging gains and losses, adjusted net earnings were $1.2 million for the fourth quarter of fiscal 2017 compared to an adjusted net loss of $0.8 million during the previous quarter and an adjusted net loss of $10.7 million recorded in fiscal Q4 2016. Annual adjusted net income was $3.6 million compared to an adjusted net loss of $12.3 million recorded during the previous year.
- **Rights Offering** – On December 29, 2016, the Company completed a rights offering raising $4.0 million net of $0.1 million of share issue costs.

Operational Highlights:

- **Production Volumes** – Production (net to Bengal) in the fourth quarter of fiscal 2017 averaged 344 barrels of oil per day ("bopd"), a 3% and 27% decrease compared to the preceding quarter and fiscal Q4 2016, respectively. These decreases were due to natural production declines. Four of the five wells drilled during fiscal 2017 were connected in May of 2017 with initial combined production rates of approximately 245 bopd (gross). These initial rates are less than pre connection expectations and continued optimization and well cleanup work is ongoing. With recent positive results from fracture stimulation programs, the Joint Venture will review the 2016 wells for stimulation in addition to planning frac programs to occur immediately after completion in future drilling campaigns. In Bengal's opinion, operational delays experienced between completion and tie-in during the 2017 campaign may have been a contributor to longer well clean up timing and on initial reservoir performance. Bengal will continue to closely monitor production rates of the newly connected wells.

- **Cuisinier 2016 drilling program –** All five wells drilled during the year were successful in locating oil-bearing sands and four of these wells were completed and commenced production in May 2017. The fifth well, Cuisinier-23 was suspended as a future fracture stimulation candidate following the evaluation of nearby well performance. This drilling program included one appraisal well ("Cuisinier-22") and one exploration well ("Shefu-1"). Successful drilling of the appraisal and exploration locations have materially increased the Company's reserve volumes by expanding the pool boundaries.

- **Credit Facility Update** - On August 26, 2016, the Company extended its credit facility with Westpac Banking Corporation by 18 months with a borrowing base of US $15 million. The borrowing base, if not further extended, will follow a reduction schedule of US $5 million in December 2017, US $5 million in June 2018, and US $5 million in December 2018. All associated terms and covenants are consistent with the existing facility.

- **Onshore India –** Effective June 1, 2016, Bengal and its partners provided notice to the applicable Government of India Authorities of its intention to exit the CY-ONN-2005/1 exploration block. The joint venture was unable to acquire the land rights required for exploration causing a force majeure condition for the duration of the first term of exploration, and is therefore entitled to exit the permit without penalty for unfinished work program commitments. Subsequent to the year-end, this application was accepted by the Director General of Hydrocarbons and is awaiting final approval from the Ministry of Petroleum and Natural Gas. With the exit from the permit, the Company has effectively ceased all operations in India.

MANAGEMENT'S DISCUSSION AND ANALYSIS – June 15, 2017

Bengal's producing assets are predominantly situated in Australia's Cooper Basin, a region featuring large hydrocarbon pools. The Company's core Australian assets, Cuisinier, Barrolka and Tookoonooka, are situated within an area of the Cooper Basin. Still in early stages, in terms of appraisal and development, Bengal believes these assets offer attractive upside potential. Australia features a stable political, fiscal and economic environment in which to operate, with a favorable royalty regime for oil and gas production.

OUTLOOK

AUSTRALIA

ATP 752 Barta Block Cuisinier

During the second half of calendar 2017, the Joint Venture will commence a fracture stimulation program on the Cuisinier North 1, Cuisinier 2 and Cuisinier 19 wells. Production testing at these new and stimulated wells will assist the Joint Venture in planning for its next drilling campaign. The Cuisinier 23 well has encountered hydrocarbon bearing sands based on logging results, however estimated deliverability is uncertain, therefore future completion and potential stimulation of this well will be evaluated along with production rates from the recently tied-in wells.

Given the current crude pricing environment, the Company plans to defer the selection of wells for its next drilling program until the results from the recent fracture stimulation program have been fully evaluated and there is sufficient production history on the newly connected wells (Cuisinier 22, Cuisinier 24, Cuisinier 25 and Shefu 1)

The Barta Joint Venture have commenced preliminary discussions on the implementation of a pilot pressure maintenance scheme following receipt of a preliminary Field Development Plan from the operator.

The Joint Venture is also in the preliminary stages of planning for a 3D seismic program in the Barta West area, immediately west of Cuisinier PL303. The 3D will cover an area of approximately 250 km^2 with timing to be finalized in the coming months pending resolution of surface access and Native Title Cultural Heritage surveys. Initial estimates are that the seismic acquisition portion of the survey will be done during Q3 2017 with processing and interpretation to follow.

ATP 934 Barrolka

Bengal has completed reprocessing of 500+ line kilometers of 2D seismic over the permit and interpretation of this data is now complete. Seismic amplitude inversion studies are underway and the most favorable areas of the permit have been high-graded for additional detailed geophysical work that may include the acquisition of 3D seismic in 2017. The Company is encouraged by recent natural gas discoveries near the Barrolka permit, which suggest the presence of a basin centered gas play in the region, as well as significant conventional potential for natural gas occurrence in the Permian Toolachee and Patchawarra sandstone reservoirs. Bengal is operator with a 71% working interest in this permit and has held preliminary discussions with third parties who may have an interest in farming in on this block.

ATP 732 Tookoonooka Block

The Tookoonooka Permit (ATP 732 – 100% WI effective January 28, 2016) is located in the emerging East Flank oil fairway of the Cooper Basin. Beach Energy Ltd. (“Beach”) completed the acquisition of 300 km^2 3D seismic in Tookoonooka in February 2014 and subsequently relinquished its interest in the permit; Bengal was fully carried for the cost of this seismic program. The Company made application for the required regulatory relinquishment of 1/3 of the block and filed a revised Later Work Program (LWP) application covering the period March 2017 through March 2019. Among other things, this LWP will allow Bengal to study the Permian gas potential along the northern flank of the permit as well as the largely unexplored oil potential in the southern part of the permit closer to the producing Jackson/Jackson South Field which has produced greater than 49.4 million barrels of oil to date. Regulatory approval of the LWP application was received May 30, 2017.

ATP 752 Wompi

The Nubba-1 well encountered multiple oil shows within the Jurassic, as well as up to 6 metres of Permian Toolachee gas. Pressure testing, as well as logging, suggests that this Toolachee gas well could be part of a gas column that may be up to 70 metres in height. This suggests the prospective gas pay extends down dip of the Nubba well where seismic indicates the Toolachee section thickens. A Potential Commercial Area (PCA) will be applied for which will allow for commercialization. The produced natural gas would likely be pipeline connected to the nearest gas transmission line in the area, which is approximately 5 kilometres from the Nubba-1 well. Wompi (38% Bengal interest) offers Bengal moderate risk exploration in a well-established, oil-producing fairway with multi-zone potential and the Joint Venture is currently evaluating the appropriate timing to continue the development of this discovery, which is not expected to occur during the first half of calendar 2017.

AC/RL 10 (formerly AC/P 24), Ashmore Cartier Area, Timor Sea, Offshore Australia

Bengal holds a 10% working interest in the Ashmore Cartier Retention License 10 ("**AC/RL 10**") located in the Ashmore Cartier area offshore Australia comprised of approximately 168 square kilometers (41,514 acres). Bengal is partnered with PTTEP Australia Timor Sea Pty Ltd. (90% working interest) and operator.

This permit was granted as a five year Petroleum Retention Lease, AC/RL 10 on March 22, 2013 expiring March 21, 2018. Subject to fulfilling acceptable later work programs, AC/RL10 may be continued for two further five year terms. The operator continues to reprocess existing 3D seismic data and evaluate commercialization options.

OPERATING HIGHLIGHTS

$000s except per share, volumes and netback amounts	Three Months Ended March 31				Twelve Months Ended March 31			
	2017		2016	% Change	**2017**		2016	% Change
Oil sales revenue	**$2,179**	$	2,253	(3)	$ 9,294	$	11,187	(17)
Realized gain on financial instruments	**$971**	$	1,833	(47)	**$4,712**	$	3,840	23
Royalties	**$(347)**	$	106	(427)	$(213)	$	728	(129)
% of revenue	**(16)**		5	(420)	(2)		7	(129)
Operating & transportation	**$ 987**	$	1,474	(33)	$4,864	$	6,480	(25)
Operating netback[(1)]	**$2,510**	$	2,506	-	$9,355	$	7,819	20
Cash from operations:	**$643**	$	1,496	(57)	$4,515	$	5,398	(16)
Funds from operations:	**$1,639**	$	1,439	14	$6,196	$	4,048	53
Per share ($) (basic & diluted)	**0.02**		0.02	-	0.08		0.06	33
Net income (loss)	**$1,931**	$	(11,704)	(117)	$(2,768)	$	(10,380)	(73)
Per share ($) (basic & diluted)	**0.02**		(0.17)	(112)	(0.04)		(0.15)	(73)
Adjusted net (loss) income [(2)]	**$1,181**	$	(10,685)	(111)	$3,605	$	(12,270)	(129)
Per share ($) (basic & diluted)	**0.01**		(0.16)	(106)	0.05		(0.18)	(128)
Capital expenditures	**$681**	$	332	105	$5,618	$	3,347	68
Oil Volumes (bopd)	**344**		469	(27)	379		505	(25)
Netback[(1)] ($/boe)								
Revenue	**$70.40**	$	52.83	33	$67.17	$	60.54	11
Realized gain on financial instruments	**31.37**		42.98	(27)	34.06		20.78	64
Royalties	**(11.21)**		2.49	(550)	(1.54)		3.94	(139)
Operating & transportation	**31.89**		34.57	(8)	35.16		35.07	-
Netback/boe	**$81.09**	$	58.75	38	$67.61	$	42.31	60

(1) Operating netback is a non-IFRS measure. Netback per boe is calculated by dividing the revenue (including gain on financial instruments) less royalties, operating and transportation costs by the total production of the Company measured in boe.

(2) Adjusted net (loss) is a non-IFRS measure. The comparable IFRS measure net loss. A reconciliation of the two measures can be found in the table on page 6.

Basis of Presentation

This MD&A and accompanying financial statements and notes are for the three and twelve months ended March 31, 2017 and 2016. The terms “current quarter”, Q4 2017 and “the quarter” are used throughout the MD&A and in all cases refer to the period from January 1, 2017 through March 31, 2017. The terms “prior year’s quarter”, Q4 2016 and “2016 quarter” are used throughout the MD&A for comparative purposes and refer to the period from January 1, 2016 through March 31, 2016.

The fiscal year for the Company is the twelve-month period ended March 31, 2017. The terms “fiscal 2017,” “current year” and “the year” are used in the MD&A and in all cases refer to the period from April 1, 2016 through March 31, 2017. The terms “previous year,” “prior year” and “fiscal 2016” are used in the MD&A for comparative purposes and refer to the period from April 1, 2015 through March 31, 2016. The term YTD means year-to-date.

For the purpose of calculating unit costs, natural gas volumes have been converted to barrels of oil equivalent (“boe”) using a conversion ratio of six thousand cubic feet (“mcf”) of natural gas to one barrel (“bbl”) of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion for the individual products, primarily at the burner tip, and is not intended to represent a value equivalency at the wellhead. Such disclosure of boe may be misleading, particularly if used in isolation.

The following abbreviations are used in this MD&A: boepd means barrels of oil equivalent per day; bpd means barrels per day; mcfpd means thousand cubic feet of natural gas per day; $/boe means Canadian dollars per boe; and NGL means natural gas liquids.

Non-IFRS Measurements

Within the MD&A references are made to terms commonly used in the oil and gas industry. Netbacks and adjusted net earnings do not have any standardized meaning under IFRS and are referred to as non-IFRS measures. Netbacks equal total revenue (including realized gain on financial instruments) less royalties and operating and transportation expenses calculated on a boe basis. Management utilizes these measures to operational performance. Adjusted net earnings is a non-IFRS measure, which should not be considered an alternative to "Net income (loss)" as presented in the consolidated statement of income (loss) and comprehensive income (loss), and is presented in the Company's financial reports to assist management and investors in analyzing financial performance net of gains and losses outside of management's immediate control. Adjusted net earnings equal net income (loss) less unrealized losses/gains on foreign exchange and unrealized losses/gains on financial instruments. Adjusted net earnings per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings (loss) per share.

The following table reconciles net income (loss) to adjusted net earnings (loss), which is used in the MD&A:

	Three Months Ended March 31			Twelve Months Ended March 31		
$000s	**2017**	2016	% Change	**2017**	2016	% Change
Net income (loss)	**1,931**	(11,704)	(117)	**(2,768)**	(10,380)	(73)
Unrealized loss (gain) on financial Instruments	**241**	1,941	(88)	**6,308**	(1,861)	(439)
Unrealized foreign exchange loss (gain)	**(991)**	(922)	8	**65**	(29)	(324)
Adjusted net (loss) earnings	**1,181**	(10,685)	(111)	**3,605**	(12,270)	(129)

RESULTS OF OPERATIONS - AUSTRALIA

Netbacks

Production	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Oil Production (boepd)	**344**	469	(27)	**379**	505	(25)
($000s)						
Oil sales	**2,179**	2,253	(3)	**9,294**	11,187	(17)
Realized gain on financial instrument	**971**	1,833	(47)	**4,712**	3,840	23
Royalties	**(347)**	106	(427)	**(213)**	728	(129)
Operating and transportation expenses	**987**	1,469	(33)	**4,864**	6,463	(25)
Netback ($000s)	**2,510**	2,511	-	**9,355**	7,836	19
Oil sales ($/bbl)	**70.40**	52.83	33	**67.17**	60.54	11
Realized gain on financial instrument	**31.37**	42.98	(27)	**34.06**	20.78	64
Royalties ($/bbl)	**(11.21)**	2.49	(550)	**(1.54)**	3.94	(139)
Operating and transportation expenses ($/bbl)	**31.89**	34.45	(7)	**35.16**	34.98	1
Netback ($/bbl)	**81.09**	58.87	38	**67.61**	42.40	59

Production, Commodity Pricing and Sales

Production

Quarterly production during fiscal Q4 2017 decreased 27% compared to fiscal Q4 2016 and 3% compared to the preceding quarter. These decreases in production are due primarily to natural declines as production from the Cuisinier 2016 drilling program did not come on stream until May of 2017.

Pricing

The price received for Bengal's Australian oil sales is benchmarked on Dated Brent quotes as published by Platts Crude Oil Marketwire for the month in which the Bill of Lading occurs, plus a Platts Tapis premium. Brent typically has traded at a premium to West Texas Intermediate (WTI) and the Platts Tapis premium received has averaged US $1.68 bbl over Brent for the twelve months ended March 31, 2017 (2016 – US $2.10).

Realized crude oil prices in Q4 2017 increased by 33% compared to Q4 2016 and decreased by 1% compared to Q3 2017 due to corresponding fluctuations in benchmark pricing and a decrease to the Tapis premium realized in fiscal Q4 2017. Annual average realized prices increased by 11% compared to the prior fiscal year. The declines in Brent crude prices through fiscal 2017 have been partially offset by foreign exchange gains as the value of Canadian and Australian dollars has decreased relative to the U.S. dollar.

The Company's reported sales include approximately 30,000 bbls of crude for which prices were not yet determined at March 31, 2017 and therefore valued at year-end pricing.

The following table outlines average benchmark prices compared to Bengal's realized prices:

Prices and Marketing	**Three Months Ended March 31**			**Twelve Months Ended March 31**		
Average Benchmark Price	**2017**	2016	% Change	**2017**	2016	% Change
Bengal realized crude oil price before realized gain on financial instruments($CAD/bbl)	**70.40**	$ 52.83	33	**$67.17**	$ 60.54	11
Realized gain on financial Instruments ($CAD/bbl)	**31.37**	42.98	(27)	**34.06**	20.78	64
Dated Brent oil ($CAD/bbl)	**71.18**	46.53	53	**63.88**	62.20	3
Dated Brent oil ($US/bbl)	**53.78**	33.89	59	**48.66**	47.44	3
Number of CAD$ for 1 AUS$	**1.00**	0.99	1	**0.99**	0.96	3
Number of CAD$ for 1 US$	**1.32**	1.37	(4)	**1.31**	1.31	-

Risk Management Activities

Bengal has entered into financial commodity contracts as part of its risk management program to manage commodity price fluctuations related to its primary producing assets being the Cuisinier field in Australia's Cooper Basin.

With respect to financial contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its crude oil financial contracts on the statement of financial position at each reporting period with the change in fair value being classified as unrealized gains and losses in the consolidated statement of income.

The Company has managed the price application to production volumes through the following contracts:

Time Period	Type of Contract	Quantity Contracted (bbls)	Price Floor (US$/bbl)	Price Ceiling (US$/bbl)
April 1, 2017 – May 31, 2017	Oil - Swap	15,814	80.00	80.00
April 1, 2017 – May 31, 2017	Oil – Put option	12,937	80.00	-

Time Period	Type of Contract	Quantity Contracted (bbls)	Price Floor (US$/bbl)	Price Ceiling (US$/bbl)
July 1, 2017 – December 31, 2018	Oil - Swap	67,373	47.00	47.00
July 1, 2017 – December 31, 2018	Oil – Put option	67,373	47.00	-

The fair value of the financial contracts outstanding as at March 31, 2017 is an estimated asset of $0.7 million. The fair value of these contracts is based on an approximation of the amounts that would have been paid or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three months ended March 31, 2017, the Company's derivative commodity contracts resulted in a realized gain of $1.0 million (2016 - $1.8 million) and an unrealized loss of $0.2 million (2016 - $1.9 million). Realized gains were impacted by increased benchmark crude oil prices during fiscal Q4 2017 compared to Q4 2016.

For the twelve months ended March 31, 2017, the derivative commodity contracts resulted in a realized gain of $4.7 million (2016 - $3.8 million) and an unrealized loss of $6.3 million (2016 – gain of $1.8 million). Realized gains were impacted by increased benchmark crude oil prices during fiscal 2017 compared to fiscal 2016. A total of 120,000 barrels were hedged during fiscal 2017 compared to 88,000 in fiscal 2016 resulting in a net 23% increase in annual realized gain on financial instruments.

Royalties

Royalties ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Royalty Expense	**(347)**	106	(427)	**(213)**	728	(129)
$/bbl	**(11.21)**	2.49	(550)	**(1.54)**	3.94	(139)
% of revenue	**(16)**	5	(420)	**(2)**	7	(129)

In Australia, oil royalties are based on a government-established rate of 10% plus a Native Title royalty which is typically 1%. The royalty rate is applied to gross revenues after deducting an allowance for transportation operating and allowable capital costs, resulting in an effective rate of less than 10%.

During the year, the Barta Joint Venture operator revised its allowable capital calculation submitted to the relevant authorities. Due to uncertainties regarding the acceptance of the Operator's revised royalty calculation, the Company had accrued royalty expenses based on the previously accepted methodology. The period for royalty assessment has expired without adjustment, thus Bengal is satisfied that the royalty calculation as submitted by the Joint Venture operator is acceptable. The Company reversed its Royalty accrual during fiscal Q4 2017. Due to this credit, Royalties per barrel are in a credit position for both the quarter and year ended March 31, 2017.

Operating & Transportation Expenses

Operating & trans. expenses ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Operating	**53**	159	(67)	**563**	994	(43)
Transportation	**934**	1,310	(29)	**4,301**	5,469	(21)
	987	1,469	(33)	**4,864**	6,463	(25)
Operating - $/boe	**1.71**	3.73	(54)	**4.07**	5.38	(24)
Transp. - $/boe	**30.18**	30.72	(2)	**31.09**	29.60	5
	31.89	34.45	(7)	**35.16**	34.98	1

Operating costs per barrel decreased by 67% compared to Q4 2016 and 76% compared to the prior quarter. Total operating expenses for the Cuisinier field, which comprises a majority of the Company's operations are accrued based on the Operator's annual budget. Actual operating costs incurred during the year were below budget expectations due to a general reduction costs across Australia's Cooper Basin, therefore a portion of the Company's operating expense accrual was reversed during Q4 2017. Annual operating costs per barrel have decreased by 43%, which reflects basin wide cost reductions as well as the Operator's focus on cost control.

Transportation costs on a boe basis decreased 2% compared to Q4 2016 and 7% compared to the prior quarter. Annual transportation costs have increased by 5% compared the prior fiscal year. These fluctuations relate primarily to foreign exchange fluctuations between the Australian and Canadian dollars.

General and Administrative (G&A) Expenses and Share-based Compensation ("SBC")

G&A Expenses and SBC ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Net G&A	721	690	4	2,740	2,663	3
Capitalized G&A	83	91	(9)	338	335	1
Total G&A	804	781	3	3,078	2,998	3
Expensed share-based compensation	4	17	(76)	29	91	(68)
Capitalized share-based compensation	1	-	-	7	10	(30)
Total share-based compensation	5	17	(71)	36	101	(64)

Total G&A expenditures increased by 3% compared to fiscal Q4 2016 and by 10% compared to the prior quarter while annual G&A expenditures have increased by 3%. These minor increases reflect increased travel costs associated with the Company's business development initiatives.

The Company uses the Black-Scholes pricing model to estimate the fair value of options on the date of grant and amortizes the estimated expense over the vesting period with a corresponding charge to contributed surplus. Options expire three to five years from the grant date; they vest one-third on the grant date and one-third on each of the following two annual anniversaries. Options granted in July of 2015 vest conditionally based on certain performance criteria on their first, second and third anniversaries.

Depletion and Depreciation (DD&A)

DD&A Expenses ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
PNG – Australia	**443**	766	(42)	**2,291**	4,519	(49)
Corporate	**4**	5	(20)	**18**	24	(25)
Total	**447**	771	(42)	**2,309**	4,543	(49)
$/boe – PNG Australia	**14.31**	17.96	(20)	**16.56**	24.46	(32)

Australian depletion per barrel decreased by 20% for Q4 2017 compared to Q4 2016 and decreased by 32% comparing fiscal year 2017 to fiscal year 2016. The decrease to depletion per barrel resulted from the following two factors; the Company's 2P reserve volumes increased by 14% compared to the prior year and drilling costs have materially decreased in Australia, reducing the costs associated with future development of the Company's reserves.

Impairment

Impairment ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Total	**-**	11,223	(100)	**-**	11,223	(100)

The 2016 impairment charges related to petroleum and natural gas exploration properties in India and Toparoa, Australia. During the twelve months ended March 31, 2017, the Company recorded no impairment charges.

Finance Income/Expenses

Finance Expenses ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Interest income	**8**	2	300	12	9	33
Accretion expense on decommissioning liabilities	**(10)**	(9)	11	**(37)**	(33)	12
Change in FV of VARs	**-**	1	(100)	**-**	3	(100)
Letter of credit charges	**-**	-	-	**(55)**	14	(493)
Interest on credit facility	**(178)**	(348)	(49)	**(947)**	(1,311)	(28)
Total	**(180)**	(354)	(49)	**(1,027)**	(1,318)	(22)

Interest on the credit facility is based on US dollar Libor + 3.2% margin.

CAPITAL EXPENDITURES

Capital Expenditures ($000s)	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
Geological and geophysical	230	111	107	**883**	1,320	(33)
Drilling	(53)	20	(365)	**2,974**	(14)	(21343)
Completions	504	201	151	**1,761**	1,931	(9)
Cuisinier working interest purchase	-	-	-	**-**	110	(100)
Total expenditures	**681**	332	105	**5,618**	3,347	68
Exploration & evaluation expenditures	97	95	2	**407**	761	(47)
Development & production expenditures	584	237	146	**5,211**	2,586	102
Total net expenditures	681	332	105	**5.618**	3,347	68

Development expenditures during the year related primarily to the Cuisinier 2016 drilling, completion and tie-in program.

CREDIT FACILITY

In October 2014, Bengal closed its US $25.0 million secured credit facility with WestPac Banking Corporation (“WestPac”) 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. The facility is secured by the Company’s producing assets in the Cuisinier field in Australia’s Cooper Basin, has a three-year term and carries an interest rate of US Libor plus 3.2%.

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. In the event that the facility is not further extended, the reduction schedule would commence on December 31, 2017 and occur every six months thereafter until December 31, 2018 with a nominal reduction of US $5 million to the facility limit at each calculation date based on the Company’s existing reserve profile. The facility limit at March 31, 2017 is US $15 million, of which US $12.5 million is currently drawn. The repayment schedule is US $2.5 million in fiscal 2018 and US $10.0 million in fiscal 2019, respectively.

The credit facility’s reserves 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 March 31, 2017.

SHARE CAPITAL

At June 15, 2017, there were 102,266,694 common shares issued and outstanding, together with 2,702,500 outstanding options.

Trading History	Three Months Ended March 31			Twelve Months Ended March 31		
	2017	2016	% Change	**2017**	2016	% Change
High	**$0.23**	$ 0.15	53	**$0.24**	$ 0.32	(25)
Low	**$0.13**	$ 0.11	18	**$0.11**	$ 0.10	10
Close	**$0.14**	$ 0.13	8	**$0.14**	$ 0.13	8
Volume (000s)	**3,546**	1,682	111	**12,725**	15,329	(17)
Shares outstanding (000s)	**102,267**	68,178	50	**102,267**	68,178	50
Weighted average shares outstanding (000s)						
Basic	**102,267**	68,178	50	**76,770**	68,178	13
Diluted	**102,267**	68,178	50	**76,770**	68,178	13

LIQUIDITY AND CAPITAL RESOURCES

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.

The Company completed a rights offering which closed on December 29, 2016. Total proceeds were $4.1 million. Related share issuance costs were $142,000.

Bengal's financial liabilities consist of accounts payable and accrued liabilities, fair value of financial instruments, and credit facility and amounted to $18.1 million at March 31, 2017, (March 31, 2016- $20.6 million).

At March 31, 2017 the Company had $3.8 million of working capital, including cash and short-term deposits of $3.9 million and restricted cash of $0.1 million, compared to a working capital deficiency of $0.4 million at March 31, 2016.

The Company has a limit of US $15 million on its Westpac Credit facility, of which US $12.5 million is currently drawn. Proceeds from this facility are restricted for use within the Cuisinier production licence. Refer to Notes Payable and Credit Facility on page 11 for covenants related to the credit facility.

The majority of the Company's oil sales are benchmarked on dated Brent prices which averaged US $48.66/bbl for the twelve months ended March 31, 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 payment schedule for the credit facility:

Credit facility (US$000s)	
Fiscal year 2018	2,500
Fiscal year 2019	10,000
	12,500

COMMITMENTS

The Queensland Government regulatory authority granted the Company the 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 square kilometers of 3D seismic and up to three wells, which would require a capital spend of $2.1 million in 2017 and a further $2.1 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	$16.3
Onshore Australia – ATP 752	Barta West 3D seismic program	November 2017	$1.5

(1) Translated at March 31, 2017 at an exchange rate of AUS $1.00 = CAD $1.0187

OTHER

At March 31, 2017, the contractual obligations for which the Company is responsible are as follows:

Contractual Obligations ($000s)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Office lease	$ 944	$ 52	$ 311	$ 311	$ 270
Decommissioning obligations	1,516	-	237	117	1,162
Total contractual obligations	$ 2,460	$ 52	$ 548	$ 428	$ 1,432

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions other than its office lease, which is classified as an operating lease.

SELECTED ANNUAL INFORMATION

Year Ended March 31	**2017**	2016	2015
Total production volumes (boepd)	**379**	505	480
Natural gas prices ($/mcf)	**-**	-	4.10
Oil and liquids prices ($/boe)	**67.17**	60.54	93.35
Total production revenue	**9,294**	11,187	15,669
Net income (loss)	**(2,768)**	(10,380)	(3,172)
Per share – basic and diluted	**(0.04)**	(0.15)	(0.05)
Cash from operations	**4,515**	5,398	6,921
Funds from operations (1)	**6,196**	4,048	4,589
Per share – basic and diluted	**0.08**	0.06	0.07
Balance drawn on credit facility	**16,500**	17,865	16,982
Total assets	**57,706**	58,903	65,679
Working capital (deficiency)(2)	**3,815**	(420)	5,221

(1) See "Non-IFRS Measurements" on page 6 of this MD&A.
(2) Calculated as current assets minus current liabilities.

SELECTED QUARTERLY INFORMATION

($000s, except per share amounts)

	Mar. 31 2017	Dec. 31 2016	Sep. 30 2016	Jun. 30 2016	Mar. 31 2016	Dec.31 2015	Sep. 30 2015	Jun. 30 2015
Fiscal quarter	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Petroleum and natural gas sales	**2,179**	2,325	2,301	2,489	2,253	1,838	3,392	3,704
Cash from (used in) operations	**643**	934	1,982	956	1,496	935	2,318	649
Funds from (used in) operations(1)	**1,639**	1,412	1,797	1,348	1,439	105	1,282	1,222
Per share								
Basic and diluted	**0.02**	0.02	0.03	0.02	0.02	0.00	0.02	0.02
Net income (loss)	**1,931**	(2,288)	325	(2,736)	(11,704)	1,413	1,167	(1,256)
Per share								
Basic and diluted	**0.02**	(0.03)	0.00	(0.04)	(0.17)	0.02	0.02	(0.02)
Capital expenditures	**681**	1,234	3,320	383	332	1,311	596	1,108
Working capital (deficiency)	**3,816**	3,291	4,421	(9,171)	(420)	(1,487)	5,775	3,087
Total assets	**57,706**	56,020	55,552	54,108	58,903	72,353	66,583	62,926
Shares outstanding (000s)	**102,267**	102,267	68,178	68,178	68,178	68,178	68,178	68,178
Operations								
Oil Volumes (bopd)	**344**	355	386	431	469	439	592	520
Netback ($/boe)	**81.09**	69.01	67.30	56.09	58.75	27.54	36.97	46.23

(1) See "Non-IFRS Measurements" on page 6 of this MD&A.

Production over the last eight quarters initially climbed with the addition of 2014 Phase One wells during fiscal Q3 2015. Production declined naturally for the subsequent quarters, offset partially during fiscal Q1 2016 as 2014 Phase Two wells were brought on stream near the end of the quarter. Production increased to 592 bopd during fiscal Q2 2016 before decreasing to 439 bopd during the quarter as a result of five wells which were temporarily offline during the quarter. These wells were brought back online post fracture stimulation during Q4 2016 increasing production. Due to delays in tieing in Cuisinier wells drilled in 2016, production has continued to decline since fiscal Q4 2016.

Crude oil sales and associated cash and funds from operations has been driven primarily by production rates and underlying commodity price fluctuations.

Capital expenditures have been driven by drilling programs at the Company's Cuisinier field, which peaked during fiscal Q2 2017 due to a five well drilling campaign commencing during the quarter. Total assets have increased through drilling activities at Cuisinier and were significantly reduced during fiscal Q4 2016 and fiscal Q1 2017 due to impairments of associated with the Tookoonooka exploration permit in Australia and CY-ONN-2005/1 exploration block in India respectively. Working capital reached a deficit of $9.1 at Q1 2017 prior to the extension of the Company's Westpac credit facility in August 2017. During fiscal Q3 2017 $3.4 million of the credit facility became current, but this decrease to working capital was offset by the Company's issuance of $4 million in common shares.

Netbacks during the past eight quarters have been impacted primarily by fluctuations in benchmark crude prices.

FINANCIAL INSTRUMENTS

Financial instruments comprise cash, restricted cash and short term deposits, accounts receivable and accounts payable and accrued liabilities and debt. The fair values of these financial instruments approximate their carrying amounts due to their short-term maturities, and floating interest rate associated with the Company's credit facility.

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 by the Company to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest rates. Refer to section "Risk Management Activities" for discussion of the Company's financial instruments.

Financial assets and liabilities are classified as either financial assets or liabilities at fair value through profit and loss ("FVTPL"), loans and receivables, held to maturity investments, available for sale financial assets, or other liabilities, as appropriate. Financial assets and liabilities are recognized initially at fair value.

Subsequent measurement of financial instruments is based on their initial classification. FVTPL financial assets and liabilities are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive loss until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

The transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability classified as FVTPL are expensed immediately. For a financial asset or financial liability carried at amortized cost, transaction costs directly attributable to acquiring or issuing the asset or liability are added to or deducted from the fair value on initial recognition and amortized through profit or loss income over the term of the financial instrument.

(i) Non-derivative financial instruments

Cash and cash equivalents, restricted cash as well as accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and the credit facility are classified as other financial liabilities, which are measured at amortized cost.

(ii) Derivative financial instruments

The Company enters into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company does not designate its financial derivative contracts as effective accounting hedges and therefore will not apply hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all derivative contracts are classified as FVTPL and are recorded on the statement of financial position at fair value. Transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein will be recognized immediately in profit or loss.

The Company may enter into physical delivery sales contracts for the purposes of receipt or delivery of nonfinancial items in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and will not be recorded at fair value on the statement of financial position. Settlements on these physical delivery contracts will be recognized in petroleum and natural gas revenue in the period of settlement.

Fair value

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the valuation date. For financial instruments that have no active market, fair value is determined using valuation techniques including the use of recent arm's length market transactions, reference to the current market value of equivalent financial instruments and discounted cash flow analysis.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer oversee this evaluation process and have concluded that the design and operation of these disclosure controls and procedures are not effective due to the material weaknesses identified in internal controls over financial reporting as noted below. The Chief Executive Officer and Chief Financial Officer have individually signed certifications to this effect.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of Bengal are responsible for designing and ensuring the operating effectiveness of internal controls over financial reporting ("ICFR") or causing them to be designed and operating effectively 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 IFRS. Bengal's certifying officers have assessed the design and operating effectiveness of internal controls over financial reporting and concluded that the Company's ICFR were not effective at March 31, 2017 due to the material weaknesses noted below.

No changes in internal controls over financial reporting were identified during the period that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

While Bengal's Chief Executive Officer and Chief Financial Officer believe the Company's internal controls and procedures provide a reasonable level of assurance that they are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the design and operating effectiveness assessment certain material weaknesses in internal controls over financial reporting were identified, as follows:

- Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general and administrative and financial matters. However, management believes that at this time the potential benefits of adding employees to clearly segregate duties do not justify the costs;
- Bengal does not have full-time in-house personnel to address all complex and non-routine financial accounting issues and tax matters that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complex financial accounting issues and for tax planning, tax provision and compilation of corporate tax returns.

These material weaknesses in internal controls over financial reporting result in a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis. Management and the Board of Directors work to mitigate the risk of material misstatement; however, Management and the Board do not have reasonable assurance that this risk can be reduced to a remote likelihood of a material misstatement.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these financial statements are out-lined below.

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

i. Identification of Cash-generating units

Bengal's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

ii. Impairment indicators

Judgments are required to assess when impairment indicators exist and impairment testing is required. The application of the Company's accounting policy for exploration and evaluation, petroleum and natural gas properties and PP&E assets required management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

iii. Recognition of deferred income tax assets

The recognition of deferred income tax assets requires judgments regarding the likelihood and applicability of future income tax deductions. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and ability to apply income tax deductions.

Key sources of uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing adjustments to the carrying amounts of the assets and liabilities.

i. Decommissioning provisions

The Company estimates future remediation costs of production facilities, wells and pipelines at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgment regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

ii. Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets occurred, and the extent of any impairment or its reversal, the key assumptions the Company uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amount of assets, and impairment charges and reversal will affect profit or loss.

iii. Reserves

The estimate of petroleum and natural gas reserves is integral to the calculation of the amount of depletion charged to the statement of operations and is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired. Changes in reported reserves can impact asset carrying values due to changes in expected future cash flows.

The Company's reserves are evaluated and reported on by independent reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, commodity pricing and timing of future expenditures, all of which are subject to significant judgment and interpretation.

iv. Share-based payments

The Company measures the cost of its share-based payments to directors, officers, employees and certain consultants by reference to the fair value of the equity instruments at the date at which they are granted. The assumptions used in determining fair value include: expected lives of options, risk-free rates of return, share price volatility and the estimated forfeiture rate. Changes to assumptions may have a material impact on the amounts presented.

NEW ACCOUNTING STANDARDS AND PRONOUNCEMENTS

New standards and interpretations not yet adopted

Standards that are issued but not yet effective and that the Company reasonably expects to be applicable at a future date are listed below.

Revenue from contracts with customers

In April 2016, the IASB issued its final amendments to IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue; at appoint in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is to be recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and timing of the revenue recognized. The new standard applies to contracts with customers and does not apply to insurance contracts, financial instruments or lease contracts. The new standard is to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018, with early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

Financial instruments: recognition and measurement

In July 2014, the IASB issued the complete IFRS 9 *Financial Instruments* to replace IAS 9 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes a principle-based approach for the classification and measurement of financial assets, a single 'expected credit loss' impairment model and a new hedge accounting standard which aligns hedge accounting more closely with risk management. The new standard is to be adopted retrospectively with some exemptions for annual periods on or after January 1, 2018, with early adoption permitted. Bengal intends to adopt IFRS 9 on a retrospective basis on April 1, 2018. The extent of the adoption of IFRS 9 on the classification and measurement of the Company's financial assets and financial liabilities and related disclosures has not yet been determined. Bengal does not currently apply hedge accounting to its financial instrument contracts and does not currently intend to apply hedge accounting to any of its financial instrument contracts upon adoption of IFRS 9.

Leases

In January 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than 12 months. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the initial adoption date of January 1, 2018. The new standard is to be adopted either retrospectively or using a modified retrospective approach. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

RISK FACTORS

Companies engaged in the oil and gas industry are exposed to a number of business risks which can be described as operational, financial and political risks, many of which are outside of the Company's control. More specifically, these include risks of economically finding reserves and producing oil and gas in commercial quantities, marketing the production, commodity prices, environmental and safety risks, and risks associated with the foreign jurisdiction in which the Company operates. In order to mitigate these risks, the Company has an experienced base of qualified technical and financial personnel in both Canada and Australia. Further, the Company has focused its foreign operations and plans to target future foreign operations in known and prospective hydrocarbon basins in jurisdictions that have previously established long-term oil and gas ventures with foreign oil and gas companies.

An investment in the shares of the Company should be considered speculative due to the nature of the Company's involvement in the exploration for and the acquisition, development and production of oil and natural gas in foreign countries, and its current stage of development. An investor should consider carefully the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. Additional risks and uncertainties not currently known to the management of the Company may also have an adverse effect on Bengal's business and the information set out below does not purport to be an exhaustive summary of the risks affecting Bengal.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by Bengal will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Bengal will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Bengal will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Bengal may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Bengal attempts to minimize exploration, development and production risks by utilizing a high-end technical team with extensive experience and multidisciplinary skill sets to assure the highest probability of success in its drilling efforts. Bengal’s collaboration of a team of seasoned veterans in the oil and gas business, each with a unique expertise in the various upstream to downstream technical disciplines of prospect generation to operations, provides the best assurance of competency, risk management and drilling success. A full cycle economic model is utilized to evaluate all hydrocarbon prospects. Detailed geological and geophysical techniques are regularly employed including 3D seismic, petrography, sedimentology, petrophysical log analysis and regional geological evaluation.

Risks Associated with Foreign Operations

International operations are subject to political, economic and other uncertainties, including, among others, risk of war, risk of terrorist activities, border disputes, expropriation, renegotiations or modification of existing contracts, restrictions on repatriation of funds, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labor disputes, sudden changes in laws, government control over domestic oil and gas pricing and other uncertainties arising out of foreign government sovereignty over the Company's international operations. With respect to taxation matters, the governments and other regulatory agencies in the foreign jurisdictions in which Bengal operates and intends to operate in the future may make sudden changes in laws relating to taxation or impose higher tax rates, which may affect Bengal's operations in a significant manner. These governments and agencies may not allow certain deductions in calculating tax payable that Bengal believes should be deductible under applicable laws or may have differing views as to values of transferred properties. This can result in significantly higher tax payable than initially anticipated by Bengal. In many circumstances, readjustments to tax payable imposed by these governments and agencies may occur years after the initial tax amounts were paid by Bengal, which can result in the Company having to pay significant penalties and fines. Furthermore, in the event of a dispute arising from international operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities that have prices determined based on world demand, supply and other factors, all of which are beyond the control of Bengal. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Bengal's oil and gas reserves. Bengal might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Bengal's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition to establishing markets for its oil and natural gas, Bengal must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Bengal will be affected by numerous factors beyond its control. The ability of Bengal to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Bengal will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Substantial Capital Requirements and Liquidity

Bengal's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Bengal may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Bengal to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Bengal's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Bengal's ability to expend the necessary capital to replace its reserves or to maintain its production. If Bengal's funds from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Bengal.

Bengal monitors and updates its cash projection models on a regular basis which assists in the timing decision of capital expenditures. Farm outs of projects may be arranged if capital constraints are an issue or if the risk profile dictates that Bengal wishes to hold a lesser working interest position. Equity, if available and if on favorable terms, may be utilized to help fund Bengal's capital program.

Health, Safety and Environment

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge.

Insurance

Bengal's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Bengal has insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Bengal may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Bengal. The occurrence of a significant event that Bengal is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Bengal's financial position, results of operations or prospects.

Competition

Bengal actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial and personnel resources than Bengal. Bengal's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

Bengal's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

ADDITIONAL INFORMATION

Additional information relating to Bengal is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Bengal Energy Ltd., 2000, 715 5th Avenue SW., Calgary, Alberta T2P 2X6, by email to info@bengalenergy.ca or by accessing Bengal's website at www.bengalenergy.ca.

***Forward-looking Statements -** Certain statements contained within the Management's Discussion and Analysis, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or Bengal's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "budget," "plan," "continue," "estimate," "expect," "forecast," "may," "will," "project," "predict," "potential," "targeting," "intend," "could," "might," "should," "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Bengal believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon.*

In particular, this Management's Discussion and Analysis, and the documents incorporated by reference, contain forward-looking statements pertaining to the following:

- *Oil and natural gas production levels;*
- *The size of the oil and natural gas reserves;*
- *The expected timing of the completion and tie-ins of the successful 5 well at Barta Block Cuisinier*
- *Timing of the finalization of the credit facility extension*
- *Projections of market prices and costs;*
- *Expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *The Company expects netbacks to remain above $35/bbl under current market conditions;*
- *Treatment under governmental regulatory regimes and tax laws;*
- *Capital expenditures programs and estimates of costs;*
- *Funding of working capital requirements, commitments and other planned expenses will be by cash on hand, cash flows, farm-outs, joint ventures or share issues and funds will be sufficient to meet requirements; and*

With respect to the forward looking statements contained in the MD&A, Bengal has made assumptions regarding: future commodity prices; the impact of royalty regimes; the timing and the amount of capital expenditures; production of new and existing wells and the timing of new wells coming on stream; future operating expenses including processing and gathering fees; the performance characteristics of oil and natural gas properties; the size of oil and natural gas reserves; the ability to raise capital; the continued availability of undeveloped land and skilled personnel; the ability to obtain equipment in a timely manner to carry out exploration and development activities; the ability to obtain financing on acceptable terms; the ability to add production and reserves through exploration and development activities; and the continued stability of political, regulatory; tax and fiscal regimes in which the Company has operations.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Management's Discussion and Analysis:

- *Volatility in market prices for oil and natural gas;*
- *Liabilities inherent in oil and natural gas operations;*
- *Uncertainties associated with estimating oil and natural gas reserves;*
- *Competition for, among other things: capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *Incorrect assessment of the value of acquisitions;*
- *Unable to meet commitments due to inability to raise funds or complete farm-outs;*
- *Geological, technical, drilling and processing problems;*
- *Changes in income tax laws or changes to royalty and environmental regulations relating to the oil and gas industry;*
- *The risk that Bengal may not be successful in raising funds by an equity issue; and*
- *Counter-party credit risk, stock market volatility and market valuation of Bengal's stock.*

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, which the resources and reserves described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and Bengal does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws. Additional information on these and other factors that could affect Bengal's operations and financial results are included in reports on file with Canadian securities authorities and may be accessed through the SEDAR website (www.sedar.com) and at Bengal's website (www.bengalenergy.ca).

These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this Management's Discussion and Analysis, as the case may be.

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

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OFFICERS

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

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