



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

**Three and Six Months Ended
September 30, 2020 and 2019**

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

(unaudited)

As at		September 30 2020	March 31 2020
Assets			
	Notes		
Current assets:			
Cash and cash equivalents		\$ 1,055	\$ 998
Restricted cash		40	140
Trade and other receivables	5	1,416	1,639
Prepaid expenses and deposits		224	126
Fair value of financial instruments	17	286	1,447
		3,021	4,350
Exploration and evaluation assets	6	9,794	8,930
Property, plant and equipment	7	28,323	26,292
		Total assets	Total assets
		\$ 41,138	\$ 39,572
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	8	\$ 1,257	\$ 1,041
Current portion of credit facility	9	16,843	17,695
Current portion of lease liability	10	50	48
		18,150	18,784
Decommissioning and restoration liability	11	4,056	3,690
Lease liability	10	131	156
		22,337	22,630
Shareholders' equity:			
Share capital	12	98,100	98,100
Contributed surplus		7,866	7,861
Accumulated other comprehensive loss		(15)	(1,651)
Deficit		(87,150)	(87,368)
		18,801	16,942
		Total liabilities and shareholders' equity	Total liabilities and shareholders' equity
		\$ 41,138	\$ 39,572

Going concern (Note 2)

Commitments (Note 19)

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED 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	
		2020	2019	2020	2019
	Notes				
Revenue					
Oil sales	14	\$ 1,260	\$ 2,576	\$ 2,359	\$ 4,538
Royalties		(76)	(147)	(142)	(248)
		1,184	2,429	2,217	4,290
Realized gain on financial instruments	17	261	253	806	347
Unrealized loss on financial instruments	17	(303)	(38)	(1,254)	(113)
		1,142	2,644	1,769	4,524
Expenses					
General and administrative		540	722	1,039	1,653
Operating		868	1,033	1,763	1,876
Depletion and depreciation	7	356	455	704	809
Impairment	6,7	-	-	-	20
Share-based compensation		-	6	5	17
Foreign exchange (gain) loss		(605)	601	(2,397)	759
		1,159	2,817	1,114	5,134
Other expense					
Other		(99)	-	(99)	-
Finance expense	16	264	333	536	646
Net (loss) income		(182)	(506)	218	(1,256)
Exchange differences on translation of foreign operations		315	(518)	1,636	(1,158)
Comprehensive income (loss)		\$ 133	\$ (1,024)	\$ 1,854	\$ (2,414)
Net (loss) income per share - basic & diluted					
	15	\$ (0.00)	\$ (0.00)	0.00	\$ (0.01)
Weighted average shares outstanding (000s) – basic and diluted					
	15	102,267	102,267	102,267	102,267

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Canadian dollars)

(unaudited)

For the six months ended September 30	2020	2019
Share capital		
Balance at beginning and end of period	\$ 98,100	\$ 98,100
Contributed surplus		
Balance at beginning of period	7,861	7,832
Share-based compensation – expensed	5	17
Share-based compensation – capitalized	-	1
Balance at end of period	7,866	7,850
Accumulated other comprehensive loss		
Balance at beginning of period	(1,651)	(4)
Exchange differences translation of foreign operations	1,636	(1,158)
Balance at end of period	(15)	(1,162)
Deficit		
Balance at beginning of period	(87,368)	(84,472)
Net income (loss)	218	(1,256)
Balance at end of period	(87,150)	(85,728)
Total shareholders' equity	\$ 18,801	\$ 19,060

See accompanying notes to the interim condensed consolidated financial statements.

BENGAL ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Canadian dollars)

(unaudited)

		Three months ended September 30		Six months ended September 30	
		2020	2019	2020	2019
	Notes				
Operating activities:					
Net (loss) income		\$ (182)	\$ (506)	\$ 218	\$ (1,256)
Add (deduct) non-cash items					
Depletion and amortization		356	455	704	809
Accretion on decommissioning and restoration liability		5	8	9	17
Accretion on credit facility		86	75	123	138
Share-based compensation		-	6	5	17
Interest on lease liability		3	3	6	7
Lease incentive		-	-	-	31
Impairment		-	-	-	20
Unrealized loss on financial Instruments		303	38	1,254	113
Unrealized foreign exchange (gain) loss		(638)	645	(2,596)	815
Funds (used in) from operations		(67)	724	(277)	711
Change in non-cash working capital	18	(99)	(197)	446	132
Net cash (used in) from operating activities		(166)	527	169	843
Investing activities:					
Exploration and evaluation expenditures	6	-	-	-	(10)
Petroleum and natural gas property expenditures	7	(124)	(477)	(223)	(1,747)
Change in restricted cash		-	-	100	-
Change in non-cash working capital	18	117	(216)	(31)	(616)
Net cash used in investing activities		(7)	(693)	(154)	(2,373)
Financing activities:					
Lease payments		(15)	(15)	(29)	(30)
Facility extension fees		-	(13)	-	(33)
Change in non-cash working capital	18	(4)	10	(4)	10
Net cash used in financing activities		(19)	(18)	(33)	(53)
Net decrease in cash and cash equivalents		(192)	(184)	(18)	(1,583)
Cash and cash equivalents, beginning of period		1,230	1,436	998	2,891
Impact of foreign exchange on cash and cash equivalents		17	(31)	75	(87)
Cash and cash equivalents, end of period		\$ 1,055	\$ 1,221	\$ 1,055	\$ 1,221

See accompanying notes to the interim condensed consolidated financial statements.

Bengal Energy Ltd.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended September 30, 2020 and 2019

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

The Company has its registered office at 2400, 525 – 8th Avenue SW, Calgary, Alberta T2P 1G1 and its head and principal office at 2000, 715 - 5th Ave SW, Calgary, Alberta, Canada, T2P 2X6.

2. BASIS OF PREPARATION AND GOING CONCERN

These 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 interim condensed consolidated financial statements do not include all of the information required for full annual financial statements.

These 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, 2020 except as noted below in Note 3. These 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, 2020.

These financial statements were approved and authorized for issuance by the Board of Directors on November 9, 2020.

These financial statements have been prepared on a historical cost basis, except for commodity contracts as discussed in Note 17.

The Company’s presentation currency is Canadian dollars. The functional currency of the Canadian parent entity is Canadian dollars; the functional currency of the Australian subsidiary is Australian dollars.

Going concern

These financial statements have been prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at September 30, 2020, the Company had a working capital deficiency of \$15.1 million. The Company has no available undrawn debt capacity under its credit facility which will expire on February 28, 2021. As at September 30, 2020, the Company’s covenants with respect to its debt service coverage ratio (“DSCR”) (refer to Note 9) had been waived through February 28, 2021. The Company has significant capital work commitments associated with its exploration and evaluation assets.

The Company’s ability to continue as a going concern is dependent upon the ability to generate positive cash flow from operating activities and to renew the current Credit Facility or to raise additional financing to meet its future development costs associated with petroleum and natural gas assets and to continue with other capital projects and operations. There can be no assurances that the facility will be renewed or additional sources of funding will be available for the Company. These matters cause material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate, adjustments would be necessary in the carrying value of the Company's assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. These adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used are consistent with those of the previous financial year as described in Note 3 of the Company's consolidated financial statements for the year ended March 31, 2020 except for the below.

Government Grants

Government grants related to assets are initially recognized by the Company as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

4. MANAGEMENT JUDGMENTS AND 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.

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. In addition, global commodity prices have declined significantly due to disputes between major oil producing countries combined with the negative impact to oil demand from the COVID-19 pandemic. Governments worldwide, including those in Canada and Australia, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable.

The current challenging economic climate may have significant adverse impacts on the Company, including material declines in revenue and cash flows, and related impacts to working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows to meet the Company's current and future obligations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time.

A full list of the critical judgments in applying accounting policies and key sources of estimation uncertainty can be found in the Company's consolidated financial statements for the year ended March 31, 2020. Estimates and judgements made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

5. TRADE AND OTHER RECEIVABLES

Bengal's trade and other receivables are exposed to the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's trade and other receivables include cash calls paid to joint venture partners and receivables from petroleum and natural gas marketers.

The Company's trade and other receivables consist of:

(\$000s)	September 30, 2020	March 31, 2020
Due from joint venture partners	1,393	1,628
Other receivables	23	11
	1,416	1,639

6. EXPLORATION AND EVALUATION ASSETS ("E&E ASSETS")

(\$000s)	
Balance, April 1, 2019	9,711
Additions	22
Impairment	(10)
Exchange adjustments	(793)
Balance, March 31, 2020	8,930
Exchange adjustments	864
Balance, September 30, 2020	9,794

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

(\$000s)	
ATP 732P – Tookoonooka	4,743
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)	2,437
ATP 934 – Barrolka	1,750
Balance, March 31, 2020	8,930

(\$000s)	
ATP 732P – Tookoonooka	5,203
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)	2,672
ATP 934 – Barrolka	1,919
Balance, September 30, 2020	9,794

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.

(\$000s)

	Petroleum and natural gas properties	Other assets	Right-of-use assets	Total
<i>Cost:</i>				
Balance, April 1, 2019	45,367	344	-	45,711
Additions	1,752	-	-	1,752
Acquisition	1,798	-	-	1,798
Adoption of IFRS 16	-	-	219	219
Capitalized share-based compensation	1	-	-	1
Change in decommissioning and restoration liability	368	-	-	368
Exchange adjustments	(5,464)	-	-	(5,464)
Balance, March 31, 2020	43,822	344	219	44,385
Additions	223	-	-	223
Exchange adjustments	6,111	-	-	6,111
Balance, September 30, 2020	50,156	344	219	50,719

(\$000s)

	Petroleum and natural gas properties	Other assets	Right-of-use assets	Total
<i>Accumulated depletion, depreciation and impairment losses:</i>				
Balance, April 1, 2019	18,937	312	-	19,249
Depletion and depreciation	1,343	7	47	1,397
Impairment	636	-	-	636
Exchange adjustments	(3,189)	-	-	(3,189)
Balance, March 31, 2020	17,727	319	47	18,093
Depletion and depreciation	677	3	24	704
Exchange adjustments	3,599	-	-	3,599
Balance, September 30, 2020	22,003	322	71	22,396

(\$000s)

<i>Net carrying amount:</i>				
At March 31, 2020	26,095	25	172	26,292
At September 30, 2020	28,153	22	148	28,323

At September 30, 2020, there were no indicators of impairment or impairment reversal. As a result, no impairment or impairment reversal testing was conducted.

During the six months ended September 30, 2020, the Company capitalized \$0.0 million of general and administrative expense (2019 - \$0.2 million).

The calculation of depletion for the three and six months ended September 30, 2020 included \$59.7 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2020 - \$59.7 million).

7. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

(\$000s)

	Petroleum and natural gas properties	Other assets	Right-of-use assets	Total
<i>Cost:</i>				
Balance, April 1, 2019	45,367	344	-	45,711
Additions	1,752	-	-	1,752
Acquisition	1,798	-	-	1,798
Adoption of IFRS 16	-	-	219	219
Capitalized share-based compensation	1	-	-	1
Change in decommissioning and restoration liability	368	-	-	368
Exchange adjustments	(5,464)	-	-	(5,464)
Balance, March 31, 2020	43,822	344	219	44,385
Additions	223	-	-	223
Exchange adjustments	6,111	-	-	6,111
Balance, September 30, 2020	50,156	344	219	50,719

(\$000s)

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Impairment	636	-	-	636
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Balance, March 31, 2020	17,727	319	47	18,093
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Exchange adjustments	3,599	-	-	3,599
Balance, September 30, 2020	22,003	322	71	22,396

(\$000s)

<i>Net carrying amount:</i>				
At March 31, 2020	26,095	25	172	26,292
At September 30, 2020	28,153	22	148	28,323

At September 30, 2020, there were no indicators of impairment or impairment reversal. As a result, no impairment or impairment reversal testing was conducted.

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8. TRADE AND OTHER PAYABLES

(\$000s)	September 30, 2020	March 31, 2020
Trade payables	357	417
Accrued liabilities and other payables	900	624
	1,257	1,041

9. CREDIT FACILITY

(\$000s)		
Gross proceeds		15,364
Total cash fees		(994)
Repayment		(2,160)
		12,210
Facility extension fees		(325)
Unrealized foreign exchange loss		4,274
Accretion		1,536
Balance, March 31, 2020		17,695
Unrealized foreign exchange gain		(975)
Accretion		123
Balance, September 30, 2020		16,843

(\$000s)	September 30, 2020	March 31, 2020
Current portion	16,843	17,695
Non-current portion	-	-

The Company initially entered into a US \$25 million reserves based revolving credit facility (the "Credit Facility") in October 2014, placing an initial draw of US \$14 million. The facility is secured by and available to the Company's producing assets in the Cuisinier field in Australia's Cooper Basin. On August 26, 2016, the Company repaid US \$1.5 million.

On May 29, 2019, the Company and Westpac entered into an amendment to its reserves based revolving Credit Facility") that had principal payments deferred from February 15, 2020 to April 1, 2020. All previous terms under the November 19, 2018 amendment have transferred directly to the May 29, 2019 amendment. The Credit Facility requires the Company to make a single payment of the outstanding amount owing on the Credit Facility. The interest rate under the Credit Facility remained unchanged at US LIBOR plus 3.75%.

On November 5, 2019, the Company and Westpac agreed to further delay the maturity date of the Credit Facility to October 31, 2020. All previous terms and conditions remain the same except for the interest rate which moved from 3.75% to 3.95%.

On September 30, 2020, the Company and Westpac agreed to further delay the maturity date of the Credit Facility to February 28, 2021. All previous terms and conditions remain the same except for the Credit Facility's reserve-based covenants have been waived including hedging requirements through February 28, 2021.

Management continues to discuss with the lender the opportunity to lengthen the term of the current facility particularly in light of the recent acquisition of the four PLs which has the potential to both increase reserves and improve cash flow. There would be an adverse impact on the Company's liquidity should it be unsuccessful in negotiating an amendment and deferral of principal payments to the Credit Facility.

The table below indicates the current payment schedule for the Credit Facility:

(US\$000s)	
Fiscal year 2021	12,369
	12,369

10. LEASE LIABILITY

The Company incurs lease payments related to the Company's head office lease in Calgary.

(\$000s)	
Balance, March 31, 2020	204
Interest	6
Payments	(29)
Balance, September 30, 2020	181
Current portion of lease liability	(50)
Non-current portion of lease liability	131

11. DECOMMISSIONING AND RESTORATION LIABILITY

Changes to decommissioning and restoration obligations were as follows:

\$000s)	
Balance, April 1, 2019	1,977
Change in estimate	368
Additions	1,538
Accretion	34
Exchange adjustments	(227)
Balance, March 31, 2020	3,690
Accretion	9
Exchange adjustments	357
Balance, September 30, 2020	4,056

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, 2020 is approximately \$4.0 million (March 31, 2020 - \$4.0 million) which will be incurred between 2023 and 2054. An inflation factor of 1.73% (March 31, 2020 – 1.73%) and a risk-free discount rate of 0.77% (March 31, 2020 – 0.77%) have been applied to the decommissioning liability at September 30, 2020.

12. SHARE CAPITAL

Authorized:

Unlimited number of common shares with no par value.

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

Issued:

The following provides a continuity of share capital:

(\$000s)	Number of common shares	Amount
Balance at March 31, 2020 and September 30, 2020	102,266,694	98,100

13. SHARE-BASED COMPENSATION

The Company has a share option plan for directors, officers and employees of the Company whereby share options representing up to 10% of the issued and outstanding common shares can be granted by the Board of Directors. Share options are granted for a term of up to five years and vest one-third after the first year and one-third on each of the next two anniversary dates. The exercise price of each option equals the weighted average market price of the Company's common shares of the previous five days.

The Company accounts for its share-based compensation plan using the fair value method. Under this method, each grant results in three instalments. The fair value of the first instalment is charged to profit or loss over the first year. The remaining two instalments are charged to profit or loss over two and three years respectively.

Stock options granted under the plan can be exercised on a cashless basis, whereby the employee receives a lesser amount of shares in lieu of paying the exercise price based on the deemed market price of the shares on the exercise date, and withholding taxes if the employee so elects.

A summary of stock option activity is presented below:

	Options	Weighted average exercise price
Balance, March 31, 2020	3,472,500	\$ 0.12
Expired	(787,500)	0.18
Balance, September 30, 2020	2,685,000	0.10
Exercisable, September 30, 2020	2,593,334	0.10

14. REVENUE

Revenue from the sales of crude oil is based on the consideration specified in the Crude Oil Sales and Purchase Agreement ("COSP Agreement") with the joint venture operator. The Company recognizes revenue when it transfers control of the product to the joint venture operator, which is generally at the time the joint venture operator obtains legal title of the crude oil and when it is physically delivered to the pipeline at an estimated transaction price based on average US Brent price and is adjusted for quality and other factors specified in the COSP Agreement once the product is shipped to the end customer and lifted.

The transaction price as prescribed in the COSP Agreement is a variable price based on the benchmark US Brent commodity price index, and may be adjusted for quality, location, delivery method or other factors depending on the agreed upon terms of the contract. The amount of revenue recorded can vary depending on the grade, quality and quantity of crude oil transferred to the joint venture operator. The COSP Agreement has an initial term to March 31, 2022, whereby delivery takes place through the contract period. Revenues are typically collected 60 days following delivery to Port Bonython.

15. PER SHARE AMOUNTS

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

	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Net loss for the period (\$000s)	(182)	(506)	218	(1,256)
Weighted average number of Common shares – basic and diluted (000s)	102,267	102,267	102,267	102,267
Basic and diluted loss per share	(0.00)	(0.00)	0.00	(0.01)

For the three and six months ended September 30, 2020, there were 2,685,000 (2019 – 3,502,000 and 1,882,492) options considered anti-dilutive.

16. FINANCE EXPENSE

(\$000s)	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Interest income	-	-	-	(1)
Accretion on decommissioning and restoration liability	5	8	9	17
Interest on lease liability	3	3	6	7
Interest on credit facility	256	322	521	623
	264	333	536	646

17. FINANCIAL RISK MANAGEMENT

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 trade and other payables, lease liability and Credit Facility, amounting to \$18.3 million at September 30, 2020 (March 31, 2020 - \$18.9 million). The current assets consist of accrued revenue in the form of pipeline oil and unallocated cash calls paid to the Joint venture operator in the amount of \$1.4 million at September 30 2020.

At September 30, 2020, the Company had a working capital deficiency of \$15.1 million, including cash and short-term deposits of \$1.1 million and restricted cash of \$0.04 million, compared to a working capital deficiency of \$14.4 million at March 31, 2020. The working capital deficiencies are primarily a result of the Credit Facility of \$16.8 million maturing in February 2021. The Company has no available undrawn debt capacity under its Credit Facility.

At September 30, 2020, the Company has significant capital spending commitments to be incurred by February 2021 on ATP 934P of \$1.1 million and had its fully drawn US\$12.4 million Credit Facility that matures in February 2021. In Q1 fiscal 2021, the Company received confirmation that the commitment on ATP 934 was reduced to \$1.1 million. In exchange for the reduction in commitment, the Company will relinquish 50% of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021. The company is currently working with the Government of Queensland on amending the commitment requirements and is expecting a resolution by the end of February 2021.

On September 30, 2020, the Company and Westpac agreed to further delay the maturity date of the Credit Facility to February 28, 2021. All previous terms and conditions remain the same except for the Credit Facility's reserve-based covenants have been waived including hedging requirements through February 28, 2021.

Management continues to discuss with Westpac the opportunity to lengthen the term of the Credit Facility particularly in light of the recent acquisition which has the potential to both increase reserves and improve cash flow. There would be an adverse impact on the Company's liquidity should it be unsuccessful in negotiating an amendment and deferral of principal payments to the Credit Facility.

The majority of the Company's oil sales are benchmarked on US Brent prices. 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.

The table below indicates the current payment schedule for the Credit Facility:

(US\$000s)	
Credit Facility	
Fiscal year 2021	12,369

The current challenging economic climate may lead to adverse changes in cash flow, working capital levels or debt balances, which may also have a direct impact on the Company's results and financial position. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future.

Foreign Currency Risk

Bengal receives U.S. dollars for Australian oil sales and incurs expenditures in Australian and Canadian currencies. 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 in Canadian dollar equivalent to foreign currencies for its financial instruments at September 30, 2020:

(\$000s)	CAD\$	AUS\$	US\$	Total
Cash and short-term deposits	171	7	877	1,055
Restricted cash	40	-	-	40
Trade and other receivables	10	107	1,299	1,416
Fair value of financial instruments	-	-	286	286
Trade and other payables	(238)	(1,017)	(2)	(1,257)
Credit facility	-	-	(16,843)	(16,843)
Lease liability	(181)	-	-	(181)
	(198)	(903)	(14,383)	(15,484)

	September 30 2020	March 31 2020
Exchange rates as at:		
Number of CAD\$ for 1 AUS\$	0.95	0.87
Number of CAD\$ for 1 US\$	1.34	1.42

Commodity Price Risk

Commodity price risk is the risk that the fair value of 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 US Brent reference price, which currently trades at a premium to WTI.

At September 30, 2020, 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	Fair value (\$000s)
October 1, 2020 – October 31, 2020	Oil - swap	4,200	59.27	59.27	100
November 1, 2020 – November 30, 2020	Oil - swap	4,200	58.95	58.95	95
December 1, 2020 – December 31, 2020	Oil - swap	4,200	58.63	58.63	91
Total					286

A US\$1.00 increase in the future crude oil price per barrel would result in an approximate US\$12,600 (CAD\$16,800) decrease in the fair value of financial instruments at September 30, 2020, while a US\$1.00 decrease would result in an increase of approximately US\$12,600 (CAD\$16,800) 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, 2020 as the funds are not invested in interest-bearing instruments. The Company's Credit Facility carries a floating interest rate based on quoted US LIBOR rates. The Company had no interest rate derivatives at September 30, 2020.

For the six months ended September 30, 2020, a 1% increase in US LIBOR would increase interest expense by \$84,300.

18. SUPPLEMENTAL CASH FLOW INFORMATION

(\$000s)				
Change in non-cash working capital items				
	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Trade and other receivables	4	(143)	223	430
Prepaid expenses and deposits	(99)	15	(98)	11
Trade and other payables	101	(250)	216	(869)
Effect of change in foreign exchange rates	8	(25)	70	(46)
	14	(403)	411	(474)

Attributable to:

Operating	(99)	(197)	446	132
Investing	117	(216)	(31)	(616)
Financing	(4)	10	(4)	10
	14	(403)	411	(474)

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

(\$000s)				
Cash interest paid and received				
	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
Cash interest paid	175	223	408	466
Cash interest received	-	-	-	1

19. COMMITMENTS

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. In Q4 fiscal 2018, the Company consolidated its ownership of ATP 934 and now holds a 100% operating interest in this permit. The purchase consideration was AUS\$0.3 million cash and potential future cash payments of up to AUS\$1.0 million, which is made up of a AUS\$0.2 million on certification by an independent competent person appointed by Bengal Energy (Australia) Pty Ltd. of not less than 25 billion cubic feet of proved reserves and AUS\$0.8 million due upon the delivery of the first shipments of gas to market. The work program consists of up to three wells.

At September 30, 2020, the Company had the following capital work commitments:

Country and permit	Work program	Obligation period ending	Estimated expenditure (net) (millions CAD\$) ⁽¹⁾
Onshore Australia – ATP 934	260 km ² 3D seismic and up to three wells	February 2021	1.1
Onshore Australia – ATP 732	Geological and geophysical studies	March 2023	0.1
Offshore Australia AC/RL 10	Geological and geophysical studies	March 2023	0.1

(1) Translated at September 30, 2020 at an exchange rate of AUS\$1.00 = CAD\$0.9541.

At September 30, 2020, the contractual obligations for which the Company is responsible are as follows:

(\$000s)					
Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Office lease	504	155	321	28	-
Decommissioning and restoration	4,056	-	707	70	3,279
	4,560	155	1,028	98	3,279

20. SEGMENTED INFORMATION

As at September 30, 2020, the Company has two reportable operating segments, being the Australian 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.

(\$000s)

For the six months ended September 30, 2020

	Australia	Corporate	Total
Revenue	2,359	-	2,359
Interest revenue	-	-	-
Interest expense	521	6	527
Depletion and depreciation	678	26	704
Impairment	-	-	-
Net income (loss)	578	(360)	218
Exploration and evaluation expenditures	-	-	-
Petroleum and natural gas property expenditures	223	-	223

(\$000s)

September 30, 2020

Exploration and evaluation assets	9,794	-	9,794
Petroleum and natural gas properties	28,153	-	28,153
Total assets	40,727	411	41,138
Total liabilities	21,918	419	22,337

(\$000s)

For the six months ended September 30, 2019

	Australia	Corporate	Total
Revenue	4,538	-	4,538
Interest revenue	1	-	1
Interest expense	623	7	630
Depletion and depreciation	781	28	809
Impairment	20	-	20
Net loss	(614)	(642)	(1,256)
Exploration and evaluation expenditures	10	-	10
Petroleum and natural gas property expenditures	1,747	-	1,747

(\$000s)

September 30, 2019

Exploration and evaluation assets	9,164	-	9,164
Petroleum and natural gas properties	27,375	-	27,375
Total assets	40,323	526	40,849
Total liabilities	21,373	416	21,789

(\$000s)**For the three months ended September 30, 2020**

	Australia	Corporate	Total
Revenue	1,260	-	1,260
Interest revenue	-	-	-
Interest expense	256	3	259
Depletion and depreciation	342	14	356
Impairment	-	-	-
Net loss	(51)	(131)	(182)
Exploration and evaluation expenditures Petroleum and natural gas property expenditures	- 124	- -	- 124

(\$000s)**For the three months ended September 30, 2019**

	Australia	Corporate	Total
Revenue	2,576	-	2,576
Interest revenue	-	-	-
Interest expense	322	3	325
Depletion and depreciation	441	14	455
Impairment	-	-	-
Net loss	(181)	(325)	(506)
Exploration and evaluation expenditures Petroleum and natural gas property expenditures	- 477	- -	- 477

CORPORATE INFORMATION

AUDITORS

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP • Calgary, Canada
Piper Alderman • Sydney, Australia

BANKERS

Royal Bank of Canada • Calgary, Canada
WestPac • Sydney, Australia

REGISTRAR AND TRANSFER AGENT

Computershare • Toronto, 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

Chayan Chakrabarty
Matthew Moorman

AUDIT COMMITTEE

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

RESERVES COMMITTEE

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

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
Matthew Moorman, Chief Financial Officer
Bruce Allford, Secretary

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