International exploration & production

# Management's Discussion & Analysis

## Three and Twelve Months Ended March 31, 2020 and 2019

The following Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Bengal Energy Ltd. ("Bengal" or the "Company") is at and for the three and twelve months ended March 31, 2020.

This MD&A dated June 25, 2020 should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended March 31, 2020 and 2019. The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The functional currency of the Company's operating subsidiary Bengal Energy (Australia) Pty Ltd. ("Bengal Australia"), is the Australian dollar; the functional currency of the Company is the Canadian dollar ("CAD"). The Company's presentation currency is the CAD. In this MD&A, all dollar amounts are expressed in CAD unless otherwise noted.

This MD&A contains non-IFRS measures, abbreviations and forward-looking information relating to future events and the Company's future performance. Please refer to "Non-IFRS Measures", "Abbreviations" and "Advisories" sections at the end of this MD&A for further information.

Additional information relating to Bengal, including Bengal's audited March 31, 2020 consolidated financial statements and other filings are available on SEDAR at www.sedar.com.

In the following discussion, the three months ended March 31, 2020 may be referred to as "fourth quarter of fiscal 2020", "Q4 fiscal 2020" "Q4 FY 2020", "current quarter", and "the quarter". The comparative three months ended March 31, 2019, may be referred to as "fourth quarter of fiscal 2019", "Q4 fiscal 2019" "Q4 FY 2019", and "prior year's quarter". The year ended March 31, 2020, may be referred to as "fiscal 2020", "current year", and "the year". The comparative year ended March 31, 2019, may be referred to as "the previous year", "prior year", and "fiscal 2019".

## FOURTH QUARTER FISCAL 2020 SUMMARY

### Financial Summary:

- **Sales Revenue** – Crude oil sales revenue was $1.1 million in the fourth quarter of fiscal 2020, which is 59% lower than the $2.7 million recorded in Q4 fiscal 2019. Full year fiscal 2020 sales revenue was $8.1 million compared to $11.2 million for the full year fiscal 2019. The lower full year performance in fiscal 2020 compared to fiscal 2019 was due primarily to the significant decline in US Brent at the end of March 2020 due to the Saudi/Russian price war coupled with demand destruction associated with the COVID-19 pandemic which impacted both sales revenue and the value of pipeline oil.
- **Hedging** – The Company's Credit Facility (as defined herein) requires that a minimum of 50% of oil production be hedged forward by a minimum of 12 months. During the month of March 2020, when the Company would normally place the required hedges for the following year, forward price volatility was so impacted by COVID-19 and global oil price decline due to the Saudi/Russian price war that Westpac Banking Corporation's ("Westpac") hedging group was not taking any orders on any forward contracts or options and Westpac was not requiring the Company to enter into hedges that would lock in low prices. As the hedging requirement is not a covenant, no waiver was required and the Banks acknowledgement was sufficient for the Company to be compliant. Once oil price markets are less volatile and Westpac resumes taking orders on forward contracts and options, the Company intends to place the appropriate hedges on its production. At year-end fiscal 2020, the realized gain on financial instruments was $0.5 million while an unrealized gain on financial instruments of $1.3 million was recorded. The quarter ended March 31, 2020 had hedges in place at US$63.74/bbl while the two subsequent quarters have a portion of expected production hedged at approximately US$59/bbl and US$56/bbl respectively. For the quarter ending December 31, 2020, 4,200 bbls of production, representing 50% of the expected production of 8,400 bbls in Q3 FY 2021, has been hedged at approximately US$58/bbl.
- **Funds generated (used in) Operations**[1] – Bengal had funds used in operations of $0.9 million during Q4 fiscal 2020 compared to $0.8 million of funds generated from operations in Q4 fiscal 2019. For the full year fiscal 2020, the Company generated funds from operations of $0.5 million, down from $2.2 million of funds from operations in fiscal 2019. The primary reason for the decrease in funds from operations during fiscal 2020 as compared to fiscal 2019 was the impact of lower commodity pricing in Q4 fiscal 2020.
- **Net loss** – Bengal reported a net loss of $2.2 million for the current quarter compared to a net loss of $2.1 million in the fourth quarter of fiscal 2019. For the full year fiscal 2020, the Company reported a net

[1] See "Non-IFRS Measurements" on page 20 of this MD&A

loss of $2.9 million compared to fiscal 2019 net loss of $2.6 million. Despite the lower price environment in Q4 fiscal 2020, the Company was able to substantially mitigate the financial impact with a cost reduction program and strong hedging strategy.

- **Adjusted Net Income[2] –** Bengal reported an adjusted net loss of $1.1 million for the current quarter and $1.1 million for the full year fiscal 2020. Net income is adjusted for unrealized gain (loss) on financial instruments, the unrealized foreign exchange gain (loss) for the period and the non-cash impairment of non-current assets.

## Operational Summary:

- **Production Volumes** – The Company's share of total production in the current quarter was 23,117 bbls of light crude oil, which is a 9% decline from the 25,303 bbls produced in the fourth quarter of fiscal 2019. The current quarter production averaged 254 bbls/day compared to 281 bbls/day produced in the fourth quarter of fiscal 2019. Full year fiscal 2020 saw total production of 102,230 compared to 108,731 for full year fiscal 2019. The full year fiscal 2020 production per day averaged 279 bbls compared to 298 bbls/day for the full year fiscal 2019. Normal production declines and lower than expected results from the 2019 drilling campaign are the reasons for the reduction in production year over year.
- **Capital Expenditures** – Bengal commenced its five well development drilling program in the fourth quarter of fiscal 2019. The drilling program was completed at the end of Q2 FY 2020. The remaining capital expenditure required for this program of $2.0 million was incurred during fiscal 2020. The waterflood pilot, originally planned for Q3 FY 2020 and delayed due to engineering and equipment issues, is now expected to commence in Q2 fiscal 2021. Due to COVID-19, the 2020 drilling campaign has been postponed until 2021. There are no other capital expenditures expected during fiscal 2021. Subsequent to year end fiscal 2020, the Company negotiated a reduction in the commitment liability for Authority to Prospect ("ATP") 934 from AUS$12.3MM to AUS$1.2MM by relinquishing a portion of ATP 934 block.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Significant Economic Developments

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. 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.

### Business Overview

Bengal's producing and non-producing assets are situated in Australia's Cooper Basin, a region featuring large accumulations of very light and high quality crude oil and natural gas. The Company's core Australian assets, Petroleum Lease ("PL") 303 Cuisinier, ATP 934 Barrolka, ATP 732 Tookoonooka, and four recently acquired petroleum licenses are situated within an area of the Cooper Basin that is well served with production infrastructure and take-away capacity for produced crude oil and natural gas. Still in early stages in terms of appraisal and development, Bengal believes these assets offer attractive upside potential for both oil and gas. Australia presents a stable political, fiscal and economic environment in which to operate, and a favourable royalty regime for oil and gas production.

Under the State of Queensland Regulatory process, ATPs are granted by the State generally for a period of

[2] See "Non-IFRS Measurements" on page 20 of this MD&A

twelve years with one third of the original grant area expiring every four years. At the end of the final term of the ATP, an application can be made to continue a portion of the permit in the form of a PCA (Potential Commercial Area). PCAs have a life span of five to fifteen years. In the case of ATP 752, with the producing Cuisinier Oil Field offsetting and oil shows in the Murta zone as well as the deeper Jurassic Birkhead zone in the Hudson 1, Koki 1 and Barta 1 wells previously drilled and abandoned and the evidence of structural continuity from the 3 D seismic control acquired over the last few years applications for PCA's 205 and 206 were made on the Barta block and approved by the Queensland regulatory authority. These applications include a commercial viability report that indicates the area is likely to be commercially viable within the applied term. This allows for extra time to commercialize the resource. Similarly application was made and approved for PCA 155 on the Wompi block and approved. These PCA's remain a part of the ATP until expiry. If a discovery of oil or gas is made, an application for a petroleum lease is made to allow for production. PLs are granted for up to a thirty-year term. Bengal has two PLs on the former ATP 752 Barta block, PL 303 and PL 1028, in addition to three PCAs, PCA 206, 207 Barta West and PCA 155 Wompi block-Nubba/Yilgarn. Bengal also acquired four PLs adjacent to ATP 934 in Q2 FY 2020.

**<u>AUSTRALIA – Cooper Basin, Queensland</u>**

**PL303 and PL 1028 Cuisinier (controlling permit ATP 752) (30.357% WI)**

The Cuisinier 29 well is on production from the newly discovered DC-50 zone. After initial decline the well has stabilized at approximately 100 bbls/d of light crude (30 bbls/d net).

Planning and drilling location selection for the 2020 multi-well development and appraisal drilling campaign has been deferred due to the COVID 19 pandemic and exacerbated by current low oil prices. Timing of restarting the campaign will be re-assessed in future periods based on pricing and financial conditions at that time.

A pilot reservoir pressure maintenance scheme (water flood pilot) is planned to commence injection during Q3 of calendar 2020. The location of this pilot is in the southeast quadrant of the Cuisinier pool, with injection of water to take place at the Cuisinier 24 well. The broad nature of the Cuisinier structure combined with variable flank aquifer pressure support has resulted in pressure depletion within the central portion of the Cuisinier pool. The injection of produced formation water is anticipated to increase production in up to four offsetting wells. In addition, if expected results are achieved, the program is expected to also support and enable future water flood expansion phases currently in the initial planning stages. Apart from increased oil recovery in the offsetting wells, another major benefit is reduction in produced water treatment tariffs. These tariffs are currently incurred as produced water is exported and treated at the Cook facility. The tariff structure is a tiered volume based arrangement; the water injection scheme would allow the joint venture to reduce the overall operating cost for Cuisinier oil.

**PCA 155 Nubba/Yilgarn, (controlling permit ATP 752, Wompi Block) (38.08% WI)**

The Company and joint venture partners are planning to conduct an extended production test on the Nubba gas discovery well. Initially planned for Q4 calendar 2019, the project is now delayed until there is certainty over a tie in point that can be accessed at a reasonable connection cost. Plans to tie in the well are subject to commercial flow rates and gas reserves being achieved, but otherwise not expected until 2022.

**ATP 934 Barrolka (100% WI)**

ATP 934 is the Company's 100% owned natural gas exploration block. In order to mitigate both financial and development risk, Bengal has done extensive state-of-the-art geophysical work that has not been widely applied in Australia and which gives a higher degree of confidence in the block and focuses on the most likely prospects.

Discussions are ongoing with a third party who have an interest in farming-in on a portion of this block, supporting the next phase of exploration and thereby further de-risking the natural gas potential of the permit. Management believes this will progress to a firm agreement imminently.

**PL 114 Wareena, PL 157 Ghina, PL 188 Ramses, PL 411 Karnak, PPL 138 pipeline (100% WI)**

As announced in the Bengal press release of September 12, 2019, the Company has acquired a 100% working interest in four PLs and a natural gas pipeline connected to transportation infrastructure into the Eastern Australia Gas Market. These non-producing PLs are highly compatible with and in close proximity to ATP 934. The Company obtained ownership of the respective PLs in Q2 FY 2020 subject to applicable regulatory approvals. Bengal continues to integrate subsurface data from the PLs to enhance the Company's understanding of ATP 934 and to finalize the selection of exploration and appraisal drilling locations and completion programs on selected wells.

Included in this program is an oil-zone completion in a cased well, which recovered 588 bbls/d of light crude oil, based on a 105-minute drill stem test period when it was drilled in 2007. Upon completion of a successful test, this well is expected to be immediately equipped for production and the oil sold into the regional market. The Company is in discussions with potential industry and financial partners to fund this activity.

The 100% ownership of these assets presents an appraisal and development opportunity that will be operated by the Company and is seen to be not only complementary to our proven producing, non-operated Cuisinier asset, but also as a key stepping stone for Bengal's natural gas platform with immediate market access to an existing pipeline upon which future exploration growth through ATP 934 can be undertaken.

**ATP 732 Tookoonooka (100% WI)**

In June 2019, the Company applied for an amendment to the Later Work Program (LWP) for the third term of ATP 732 permit, On October 22, 2019, the Company received approval from the Queensland regulatory authority for an amended LWP for the third, four-year term commencing April 1, 2019 to March 31, 2023. The approved LWP was revised to minimum activities of reprocessing seismic and inversion work with an estimated cost of $50K and geological and geophysical investigation at an estimated cost of $50K during the four-year term.

**Business Development**

During the quarter, the Company engaged in early stage, confidential and non-binding discussions with a number of third parties respecting potential business development opportunities, including possible business combination transactions expected to assist in reducing combined costs, increasing scale and advancing external financing options. Following the period, such early stage discussions have continued, however unfavourable and volatile market conditions have posed a material challenge to advancing such discussions. The Company cautions that all discussions are preliminary and non-binding and there are no assurances that such discussions will advance or that any transaction will be pursued or ultimately be undertaken.

**Subsequent Events**

Subsequent to the fiscal year ended on March 31, 2020, on April 24, 2020, the Company received regulatory approval for the special amendment of the initial work program on ATP 934 which reduces the total commitment from $12.3 million to $1.2 million. The Company has no further expenditure commitments on the permit before February 28, 2021 when the permit is up for renewal. As a condition of the approval, the Company agreed to relinquish an additional 17% of the permit in addition to the 33% mandatory relinquishment for a total of 50% (240 sub-blocks) of the acreage at the end of the first term on the permit. The acreage subject to the 50% relinquishment was determined by Bengal and consisted of the least prospective land from a technical perspective and with the most challenging access conditions under the terms of the existing Environmental Authority granted by the regulator. At March 31, 2020, ATP 934 was evaluated for any impairment triggers according to International Accounting Standards (IAS) 36 and no impairment triggers were uncovered.

**OPERATING SUMMARY**

| ($000s except per share, %, volumes and operating netback amounts) | Three months ended March 31 | | Twelve months ended March 31 | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Oil revenue | $ 1,140 | $ 2,667 | $ 8,103 | $ 11,211 |
| Operating netback[(1)] | $ 249 | $ 1,944 | $ 4,547 | $ 5,780 |
| Cash from operations | $ 27 | $ 635 | $ 1,129 | $ 2,691 |
| Funds from (used in) operations[(2)] | $ (849) | $ 842 | $ 461 | $ 2,220 |
| Per share ($) (basic and diluted) | $ (0.01) | $ 0.01 | $ 0.00 | $ 0.02 |
| Net loss | $ (2,196) | $ (2,144) | $ (2,896) | $ (2,475) |
| Per share ($) (basic and diluted) | $ (0.02) | $ (0.02) | $ (0.03) | $ (0.03) |
| Adjusted net income (loss)[(3)] | $ (1,111) | $ 397 | $ (1,125) | $ 525 |
| Per share ($) (basic and diluted) | $ (0.01) | $ 0.00 | $ (0.01) | $ 0.01 |
| Capital expenditures | $ (68) | $ 2,473 | $ 2,035 | $ 4,346 |
| Oil volumes (bbl/d) | 254 | 281 | 279 | 298 |
| Operating netback [(1)]($/bbl) | $ 10.77 | $ 76.82 | $ 44.47 | $ 53.16 |

(1) Operating netback is a non-IFRS measure and includes realized gain (loss) on financial instruments. Operating netback per bbl is calculated by dividing revenue (including realized gain (loss) on financial instruments) less royalties and operating costs by the total production of the Company measured in bbls. A reconciliation of the measures can be found on page 8 of this MD&A.

(2) Funds from (used in) operations is a non-IFRS measure which is calculated by adding back all non-cash expense deductions to the net loss for the quarter and fiscal year. Funds from (used in) operations per share is a non-IFRS measure calculated as calculated by dividing funds from (used in) operations by weighted average basic and diluted shares outstanding for the periods disclosed. A reconciliation of the measures can be found in the table on page 21 of this MD&A.

(3) Adjusted net income (loss) and adjusted net income (loss) per share are non-IFRS measures. The comparable IFRS measure is net income (loss). A reconciliation of the two measures can be found in the table on page 21 of this MD&A.

(4) The above non-IFRS measures do not have any standardized meaning under GAAP (as that term is defined in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards) and therefore may not be comparable to similar measures presented by other issuers.

## RESULTS OF OPERATIONS

### Production

| | Three months ended March 31 2020 | Three months ended March 31 2019 | Twelve months ended March 31 2020 | Twelve months ended March 31 2019 |
|---|---|---|---|---|
| Oil production (bbls/d) | 254 | 281 | 279 | 298 |
| Oil production (bbls) | 23,117 | 25,303 | 102,230 | 108,731 |

### Revenue/Pricing

The following table outlines for oil lifting from bills of lading, pipeline oil estimates, applicable prices and oil sales reflected in the Company's financials:

| | | Three months ended March 31 2020 | Three months ended March 31 2019 | Twelve months ended March 31 2020 | Twelve months ended March 31 2019 |
|---|---|---|---|---|---|
| | **Oil lifting** | | | | |
| | Volume (000s bbls) | 26.7 | 27.2 | 104.6 | 119.7 |
| | Weighted average price ($US/bbl) | 58.35 | 66.18 | 65.37 | 73.83 |
| **A.** | Sales ($000's) | 2,337 | 2,412 | 9,378 | 12,070 |
| | **Pipeline oil** | | | | |
| | Volume (000s bbls), change | (3.5) | (1.9) | (2.4) | (11.0) |
| | Price ($US/bbl), change | (39.80) | 18.67 | (49.22) | 8.62 |
| **B.** | Net sales ($000's) | (1,197) | 255 | (1,275) | (859) |
| **A.+B.** | Total oil sales ($000s) | 1,140 | 2,667 | 8,103 | 11,211 |

The price received for Bengal's Australian oil sales is benchmarked on US$ Brent for the month in which the bill of lading occurs, plus a realized premium due to oil quality differences. Pipeline oil is the term used to describe oil moving along the pipeline from the wellhead to the port that has been legally transferred to the buyer but not priced and waiting to be sold. Lifting occurs when the oil is moved from the port to the ship.

The COVID-19 pandemic and the Saudi/Russian pricing war had a significant impact on the realized revenue for both the full year fiscal 2020 and particularly the Q4 fiscal 2020 results. The most prominent impact was on the valuation of Bengal's pipeline oil. At the end of Q3 FY 2020 the pipeline oil was valued using a US Brent price of $69.56/bbl. At the end of Q4 fiscal 2020, pipeline oil was valued at US Brent $29.76, a 57% decline in price valuation. When combined with a volume reduction in pipeline oil of 3,549 bbls, the value of our pipeline oil fell by $1.2 million reducing the Company's overall realized sales revenue down to $1.1 million for the current quarter. The corresponding decline on full year realized sales revenue was a $1.3 million decline in pipeline valuation which reduced Bengal's full year realized sales revenue to $8.1 million.

The following table outlines average benchmark prices:

| | Three months ended March 31 | | Twelve months ended March 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Brent oil ($/bbl) | 67.59 | 84.02 | 81.37 | 91.90 |
| Brent oil (US$/bbl) | 50.44 | 63.17 | 61.18 | 70.15 |
| Number of CAD$ for 1 AUS$ | 0.88 | 0.95 | 0.91 | 0.96 |
| Number of CAD$ for 1 US$ | 1.34 | 1.33 | 1.33 | 1.31 |

| ($000s) | | | | |
|---|---|---|---|---|
| **Operating netbacks** | **Three months ended March 31** | | **Twelve months ended March 31** | |
| | **2020** | **2019** | **2020** | **2019** |
| Oil sales | 1,140 | 2,667 | 8,103 | 11,211 |
| Realized (loss) gain on financial instruments | 268 | (90) | 533 | (1,236) |
| Royalties | (259) | (59) | (316) | (570) |
| Operating expenses | (900) | (574) | (3,773) | (3,625) |
| **Operating netback** | 249 | 1,944 | 4,547 | 5,780 |
| **($/bbl)** | | | | |
| Oil sales | 49.31 | 105.40 | 79.26 | 103.11 |
| Realized (loss) gain on financial instruments | 11.59 | (3.56) | 5.21 | (11.37) |
| Royalties | (11.20) | (2.33) | (3.09) | (5.24) |
| Operating expenses | (38.93) | (22.69) | (36.91) | (33.34) |
| **Operating netback** | 10.77 | 76.82 | 44.47 | 53.16 |

Operating netbacks were also seriously affected by the COVID-19 pandemic and the Saudi/Russian oil price war. In Q4 fiscal 2020, operating netbacks were $0.2 million or $10.77/bbl compared to Q4 fiscal 2019 at $1.9 million or $76.82/bbl. The primary reason for the decline in operating netbacks during the current quarter compared to Q4 fiscal 2019 was the collapse in oil commodity price towards the end of March which resulted in the Company realising sales revenue of only $1.1 million. For the full year fiscal 2020, operating netbacks were $4.5 million or $44.47/ bbl. The realized gain on financial instruments of $0.3 million in Q4 fiscal 2020 and $0.5 million for the full year fiscal 2020 is due primarily to the US$ 60/bbl hedges in the current quarter. Royalties have been calculated to be 3.09% of oil sales for full year fiscal 2020 as compared to 5% for the full year fiscal 2019 due to higher operating expenses in fiscal 2020. The increased royalty expense in Q4 fiscal 2020 is due to a year to date adjustment made by the operator during the current quarter, to reflect the annual fiscal 2020 reduced royalty expense. Comparative operating expenses for fiscal 2020 were higher versus Q4 fiscal 2019 and full year fiscal 2019 due to the Company's realization of credits from the joint venture audit in fiscal 2019. Due to the COVID-19 pandemic the company did not complete the fiscal 2020 JV audit at year end and now expects to complete the fiscal 2020 joint venture audit of operating expenses during Q2 FY 2021.

**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. It is a requirement under Bengal's Credit Facility to hedge 50% of its annual production. However, due to the COVID-19 pandemic, when the Company would normally place the required hedges for the following year during Q4 of the fiscal year, forward price volatility was so impacted by COVID and oil price decline due to the Saudi/Russian price war that Westpac's hedging group was not taking any orders on any forward contracts or options. Once oil price markets are less volatile and Westpac resumes taking orders on forward contracts and options, the Company may place the appropriate hedges on its production.

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 (loss).

As at March 31, 2020, the Company has the following derivative contracts:

| **Time period** | **Type of contract** | **Quantity Contracted (bbls)** | **Price floor US $/bbl** | **Price ceiling US $/bbl** |
|---|---|---|---|---|
| April 1, 2020 – April 30, 2020 | Oil - swap | 5,000 | 59.49 | 59.49 |
| | | | | - |

| **($000s)** | **Oil – swap** | **Oil – put** | **Total** |
|---|---|---|---|
| Current fair value of financial instruments | 233 | - | 233 |
| Non-current fair value of financial instruments | - | - | - |
| | 233 | - | 233 |

| **Time period** | **Type of contract** | **Quantity Contracted (bbls)** | **Price floor US $/bbl** | **Price ceiling US $/bbl** |
|---|---|---|---|---|
| May 1, 2020 – May 31, 2020 | Oil - swap | 5,000 | 59.27 | 59.27 |

| **($000s)** | **Oil – swap** | **Oil – put** | **Total** |
|---|---|---|---|
| Current fair value of financial instruments | 209 | - | 209 |
| Non-current fair value of financial instruments | - | - | - |
| | 209 | - | 209 |

| **Time period** | **Type of contract** | **Quantity Contracted (bbls)** | **Price floor US $/bbl** | **Price ceiling US $/bbl** |
|---|---|---|---|---|
| June 1, 2020 – June 30, 2020 | Oil - swap | 5,000 | 59.08 | 59.08 |

| **($000s)** | **Oil – swap** | **Oil – put** | **Total** |
|---|---|---|---|
| Current fair value of financial instruments | 188 | - | 188 |
| Non-current fair value of financial instruments | - | - | - |
| | 188 | - | 188 |

| **Time period** | **Type of contract** | **Quantity Contracted (bbls)** | **Price floor US $/bbl** | **Price ceiling US $/bbl** |
|---|---|---|---|---|
| July 1, 2020 – July 31, 2020 | Oil - swap | 5,000 | 56.64 | 56.64 |

| **($000s)** | **Oil – swap** | **Oil – put** | **Total** |
|---|---|---|---|
| Current fair value of financial instruments | 157 | - | 157 |
| Non-current fair value of financial instruments | - | - | - |
| | 157 | - | 157 |

| Time period | Type of contract | Quantity Contracted (bbls) | Price floor US $/bbl | Price ceiling US $/bbl |
|---|---|---|---|---|
| August 1, 2020 – August 31, 2020 | Oil - swap | 5,000 | 56.46 | 56.46 |

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 146 | - | 146 |
| Non-current fair value of financial instruments | - | - | - |
| | 146 | - | 146 |

| Time period | Type of contract | Quantity Contracted (bbls) | Price floor US $/bbl | Price ceiling US $/bbl |
|---|---|---|---|---|
| September 1, 2020 – September 30, 2020 | Oil - swap | 5,000 | 56.32 | 56.32 |

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 139 | - | 139 |
| Non-current fair value of financial instruments | - | - | - |
| | 139 | - | 139 |

| Time period | Type of contract | Quantity Contracted (bbls) | Price floor US $/bbl | Price ceiling US $/bbl |
|---|---|---|---|---|
| October 1, 2020 – October 31, 2020 | Oil - swap | 4,200 | 59.27 | 59.27 |

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 130 | - | 130 |
| Non-current fair value of financial instruments | - | - | - |
| | 130 | - | 130 |

| Time period | Type of contract | Quantity Contracted (bbls) | Price floor US $/bbl | Price ceiling US $/bbl |
|---|---|---|---|---|
| November 1, 2020 – November 30, 2020 | Oil - swap | 4,200 | 58.95 | 58.95 |

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 125 | - | 125 |
| Non-current fair value of financial instruments | - | - | - |
| | 125 | - | 125 |

| Time period | Type of contract | Quantity Contracted (bbls) | Price floor US $/bbl | Price ceiling US $/bbl |
|---|---|---|---|---|
| December 1, 2020 – December 31, 2020 | Oil - swap | 4,200 | 58.63 | 58.63 |

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 120 | - | 120 |
| Non-current fair value of financial instruments | - | - | - |
| | 120 | - | 120 |

**Total**

| ($000s) | Oil – swap | Oil – put | Total |
|---|---|---|---|
| Current fair value of financial instruments | 1,447 | - | 1,447 |
| Non-current fair value of financial instruments | - | - | - |
| | 1,447 | - | 1,447 |

The fair value of the financial contracts outstanding as at March 31, 2020 is $1.4 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 year, 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 twelve months ended March 31, 2020, the derivative commodity contracts resulted in a realized gain of $0.5 million (March 31, 2019 – loss of $1.2 million) and an unrealized gain of $1.3 million (March 31, 2019 – gain of $1.1 million).

### Royalties

| Royalties | Three months ended March 31 | | Twelve months ended March 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Royalty expense ($000s) | 259 | 59 | 316 | 570 |
| $/bbl | 11.20 | 2.33 | 3.09 | 5.24 |
| % of revenue | 23 | 2 | 4 | 5 |

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

Royalties have been calculated to be 3.9% of oil sales for full year fiscal 2020 as compared to 5% for the full year fiscal 2019 due to higher operating expenses in fiscal 2020. The increased royalty expense in Q4 fiscal 2020 is due to a year to date adjustment made by the operator during the current quarter, to reflect the annual fiscal 2020 royalty expense.

**Operating Expenses**

| **($000s)**<br>**Operating expenses** | **Three months ended March 31**<br>**2020** | <br>**2019** | **Twelve months ended March 31**<br>**2020** | <br>**2019** |
|---|---|---|---|---|
| Production | 251 | (231) | 792 | 307 |
| Transportation | 649 | 805 | 2,981 | 3,318 |
| | 900 | 574 | 3,773 | 3,625 |
| Production - $/bbl | 10.86 | (9.13) | 7.75 | 2.82 |
| Transportation - $/bbl | 28.07 | 31.81 | 29.16 | 30.52 |
| | 38.93 | 22.68 | 36.91 | 33.34 |

Comparative operating expenses for Q4 fiscal 2020 and full year fiscal 2020 were higher versus Q4 fiscal 2019 and full year fiscal 2019 due to the Company's realization of credits from the joint venture audit in fiscal 2019. Due to the COVID-19 pandemic the company did not complete the fiscal 2020 joint venture audit at year end and now expects to complete the fiscal 2020 joint venture audit of operating expenses during Q2 FY 2021.

**General and Administrative (G&A) Expenses**

| **($000s)**<br>**G&A** | **Three months ended March 31**<br>**2020** | <br>**2019** | **Twelve months ended March 31**<br>**2020** | <br>**2019** |
|---|---|---|---|---|
| Total G&A | 806 | 842 | 3,589 | 3,286 |
| Capitalized G&A | 153 | (36) | (286) | (386) |
| Net G&A | 959 | 806 | 3,303 | 2,900 |

Net G&A expenses in the fourth quarter fiscal 2020 were $1.0 million as compared to $0.8 million for the Q4 fiscal 2019. The full year fiscal 2020 saw net G&A expense at $3.3 million compared to $2.9 million for the full year fiscal 2019. The increase of $400K in net G&A expense for the full year fiscal 2020 is due to a lower amount of activity by staff and contractors that was charged to capital projects and an increase in third party consulting assisting the Company with potential strategic alternatives.

**Share-based Compensation ("SBC")**

| **($000s)**<br>**SBC** | **Three months ended March 31**<br>**2020** | <br>**2019** | **Twelve months ended March 31**<br>**2020** | <br>**2019** |
|---|---|---|---|---|
| Expensed share-based compensation | 6 | 13 | 28 | 69 |
| Capitalized share-based compensation | - | 1 | 1 | 8 |
| | 6 | 14 | 29 | 77 |

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 five years from the grant date.

**Depletion and Depreciation (DD&A)**

| **($000s)**<br>**DD&A** | **Three months ended March 31**<br>**2020** | **2019** | **Twelve months ended March 31**<br>**2020** | **2019** |
|---|---|---|---|---|
| Petroleum and natural gas properties | 188 | 370 | 1,343 | 1,446 |
| Other assets | 2 | 3 | 7 | 11 |
| Right-of-use assets | 12 | - | 47 | - |
| | 202 | 373 | 1,397 | 1,457 |
| Petroleum and natural gas properties - $/bbl | 8.13 | 14.62 | 13.14 | 13.30 |

The Company's proved plus probable (2P) reserve volumes at March 31, 2020, decreased 175,000 bbls compared to March 31, 2019. In addition, capital costs to develop 2P reserves at March 31, 2020, was $59.7 million compared to $60.9 million at March 31, 2019.

Production in Q4 fiscal 2020 was 23,117 bbls compared with 25,303 bbls in Q4 fiscal 2019. These amounts coupled with the impairment charge in Q4 (as discussed below) resulted in lower depletion for Q4 fiscal 2020, compared to the comparative period.

Production for full year fiscal 2020 was 102,230 bbls compared to 108,731 bbls for the previous year, also contributing to a lower depletion rate for fiscal 2020.

**Impairment**

| **($000s)**<br>**Impairment expense** | **Three months ended March 31**<br>**2020** | **2019** | **Twelve months ended March 31**<br>**2020** | **2019** |
|---|---|---|---|---|
| Exploration and evaluation assets | - | - | 10 | 885 |
| Petroleum and natural gas properties | 626 | 1,906 | 636 | 1,906 |
| | 626 | 1,906 | 646 | 2,791 |

As at March 31, 2020, the Company concluded that there were no triggers for impairment on its E&E assets.

During Q4 fiscal 2020, the Company took an impairment charge of $0.6 million due to one development well, Cuisinier-27, deemed to be uneconomic following evaluation of the results of the five well drilling program. At March 31, 2020, the company evaluated its petroleum and natural gas properties for indicators of impairment. Due to industry and market conditions, especially the decline in crude oil prices, the Company identified that impairment triggers were present at March 31, 2020. The Company performed an impairment test but no adjustment was required. The impairment test compared the carrying amount of the Cuisinier CGU to the fair value less costs of disposal (FVLCD) value, which is classified as a level 3 fair value measurement, based on the net present value of after-tax cash flows from proved plus probable oil and gas reserves estimated by an independent reserve evaluator, discounted at 10% to 30% depending on the various categories of reserves. Notwithstanding there was no additional impairment recognized, other than with respect to the Cuisinier 27 well, there is a reasonable possibility that the determination of a recoverable amount could result in an impairment in future periods, if commodity prices and/or discount rates applied to various categories of reserves are adversely impacted by market conditions.

**Finance Expense**

| ($000s) Finance expense | Three months ended March 31 | | Twelve months ended March 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Interest income | (2) | (1) | (4) | (10) |
| Accretion expense on decommissioning and restoration liability | 8 | 9 | 34 | 39 |
| Letter of credit charges | - | - | - | 8 |
| Interest on lease liability | 3 | - | 14 | - |
| Interest on Credit Facility | 272 | 294 | 1,232 | 1,034 |
| | 281 | 302 | 1,276 | 1,071 |

Interest on the Credit Facility had initially been based on US dollar LIBOR + 3% margin. The revised Credit Facility amendment dated November 2018 increased the margin to 3.75% effective January 1, 2019. An amendment to the Credit Facility dated November 2019 further increased the margin to 3.95% effective November 5, 2019. See details of the Credit Facility below.

**CAPITAL EXPENDITURES**

| ($000s) Capital expenditures | Three months ended March 31 | | Twelve months ended March 31 | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Geological and geophysical | 62 | 99 | 263 | 309 |
| Drilling | 1 | 1,530 | 146 | 2,360 |
| Completions | 21 | 844 | 1,365 | 1,677 |
| Acquisition | (152) | - | 261 | - |
| | (68) | 2,473 | 2,035 | 4,346 |
| | | | | |
| Exploration and evaluation expenditures | - | 60 | 22 | 930 |
| Development and production expenditures | (68) | 2,413 | 2,013 | 3,416 |
| | (68) | 2,473 | 2,035 | 4,346 |

The development and production expenditure of $2.0 million for the full year fiscal 2020 represents to final capital requirements for the 2019 drilling campaign. The $0.2 million credit under acquisition represents net proceeds from the sale of our rig that had been in storage and written off.

**CREDIT FACILITY**

On May 29, 2019, the Company and Westpac entered into an amendment to its reserved based revolving credit facility (the "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%.

Management continues to discuss with the lender the opportunity to lengthen the term of the current 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 and its ability to continue as a going concern should it be unsuccessful in negotiating an amendment and deferral of principal payments to the Credit Facility.

The Credit Facility's reserve-based covenants include a debt service coverage ratio (cash available for debt payments divided by mandatory debt repayments) as well as a loan life coverage ratio (net present value of future cash available for debt service divided by the available facility). These covenants impact the Company's available facility limit, and therefore the ability to secure its debt as a percentage of reserve forecasts and are evaluated at each calculation date. These covenants are calculated using inputs as prescribed by Westpac, and a default event triggered by a breach of covenants may result in a full redemption of all outstanding borrowings under the terms of the Credit Facility. The Company was not in compliance with its debt service coverage ratio covenant at March 31, 2020. Subsequent to March 31, 2020, the Company received a waiver from its lender in respect of the March 31, 2020 covenant breach.

## SHARE CAPITAL

| **Trading history** | | | | |
|---|---|---|---|---|
| | | **Three months ended March 31** | | **Twelve months ended March 31** |
| | **2020** | **2019** | **2020** | **2019** |
| High ($) | 0.10 | 0.14 | 0.13 | 0.18 |
| Low ($) | 0.05 | 0.10 | 0.05 | 0.09 |
| Close ($) | 0.08 | 0.12 | 0.08 | 0.12 |
| Volume (000s) | 1,418 | 2,178 | 3,179 | 9,778 |
| Shares outstanding (000s) | 102,267 | 102,267 | 102,267 | 102,267 |
| Weighted average shares outstanding (000s) - basic and diluted | 102,267 | 102,267 | 102,267 | 102,267 |

At June 25, 2020, there were 102,266,694 common shares issued and outstanding, together with 3,472,500 outstanding options.

## LIQUIDITY RISK 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.

Bengal's financial liabilities consist of trade and other payables, lease liability and the Credit Facility and amounted to $18.9 million at March 31, 2020 (March 31, 2019 - $19.1 million).

At March 31, 2020, the Company had a working capital deficiency of $14.4 million, including cash and short-term deposits of $1.0 million and restricted cash of $0.1 million, compared to a working capital deficiency of $12.7 million at March 31, 2019. The working capital deficiencies are primarily a result of the Credit Facility of $17.7 million maturing in October 2020. The Company has no available undrawn debt capacity under the Credit Facility. The Company was not in compliance with its debt service coverage ratio covenant at March 31, 2020. The Company's current forecast indicates that it will not be in compliance with its DSCR covenant over the next twelve months. Subsequent to March 31, 2020, the Company received a waiver from its lender in respect of the March 31, 2020 covenant breach.

The Company's ability to continue as a going concern is dependent upon the potential renewal of the current Credit Facility or to raise additional financing to continue with its 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.

At year ended March 31, 2020, the Company has its US$12.4 million Credit Facility maturing at the end of October 2020. Management is in discussions with Westpac to further extend the Credit Facility. Management anticipates that operating and capital requirements will be met out of operating cash flows in addition to alternative forms of capital raising. There can be no guarantees that the Credit Facility will be extended or that alternative forms of capital raising will be available or obtained on terms that are satisfactory to the Company. Should Westpac not further defer principal payments and the Company be unsuccessful in obtaining additional funding, there will be an adverse impact to the Company's liquidity.

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 oil 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.

**COMMITMENTS**

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. The Company acquired an additional 21.43% working interest and received ministerial approval for the acquisition on August 11, 2015. 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$0.8 million due upon the delivery of the first shipments of gas to market. The work program consists of 260 km$^2$ of 3D seismic and up to three wells.

At March 31, 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 | 12.3(2) |
| 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 March 31, 2020 at an exchange rate of AUS$1.00 = CAD$0.8700.

(2) Subsequent to year end, the Company received confirmation that the commitment on ATP 934 was reduced to $1.2 million. In exchange for the reduction in commitment Bengal will relinquish 50% of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021.

At March 31, 2020, the contractual obligations for which the Company is responsible are as follows:

| **($000s)**<br>**Contractual obligations**<br>**April 2020 to November 2023** | **Total** | **Less than 1 year** | **1-3 years** | **4-5 years** | **After 5 years** |
|---|---|---|---|---|---|
| Office lease | 582 | 155 | 315 | 112 | - |
| Decommissioning and restoration | 3,690 | - | 642 | 64 | 2,984 |
| | 4,272 | 155 | 957 | 176 | 2,984 |

## OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

## SELECTED QUARTERLY INFORMATION

| **Fiscal quarter ($000s)** | Mar 31 2020 **Q4 2020** | Dec 31 2019 Q3 2020 | Sep 30 2019 Q2 2020 | June 30 2019 Q1 2020 | Mar 31 2019 Q4 2019 | Dec 31 2018 Q3 2019 | Sep 30 2018 Q2 2019 | Jun 30 2018 Q1 2019 |
|---|---|---|---|---|---|---|---|---|
| Oil sales | 1,140 | 2,425 | 2,576 | 1,962 | 2,667 | 2,014 | 3,315 | 3,215 |
| Cash flow from operations | 27 | 259 | 527 | 316 | 635 | 434 | 603 | 1,019 |
| Funds from (used in) operations[1] | (849) | 599 | 724 | (13) | 842 | (247) | 750 | 875 |
| Per share – basic and diluted ($) | (0.01) | 0.01 | 0.01 | 0.00 | 0.01 | (0.01) | 0.00 | 0.01 |
| Net income (loss) | (2,196) | 556 | (506) | (750) | (2,144) | 883 | (728) | (486) |
| Per share – basic and diluted ($) | (0.02) | 0.01 | (0.00) | (0.01) | (0.02) | 0.01 | (0.01) | (0.00) |
| Capital expenditures | (68) | 346 | 477 | 1,280 | 2,473 | 298 | 1,274 | 301 |
| Working capital (deficiency) | (14,434) | (13,823) | (14,120) | (13,964) | (12,740) | 6,331 | (3,353) | (2,915) |
| Total assets | 39,572 | 41,391 | 40,849 | 40,373 | 42,489 | 44,291 | 43,547 | 44,867 |
| Shares outstanding (000s) | 102,267 | 102,267 | 102,267 | 102,267 | 102,267 | 102,267 | 102,267 | 102,267 |
| Operations: | | | | | | | | |
| Oil volumes (bbls/d) | 254 | 280 | 333 | 249 | 281 | 300 | 292 | 318 |
| Operating netback[1] ($/bbl) | 10.77 | 59.68 | 53.78 | 49.01 | 76.82 | 22.54 | 59.58 | 55.69 |

(1) See “Non-IFRS Measurements” on page 20 of this MD&A.

Production over the last eight quarters peaked during the second quarter of fiscal 2018 (calendar Q3 2017) as all wells from the Company’s 2014 and 2016 drilling campaign were on stream. Natural declines in the Cuisinier oil field have been responsible for the steady decline in production since the peak in the second quarter of fiscal 2018. Significant declines in $US Brent during Q4 fiscal 2020 due to COVID-19 resulted in the lowest sales revenue in the past eight quarters. With the deferment of capital expenditures at least until 2021, depressed revenue and cash flow are expected through 2021.

## 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, 2020 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; and
- Bengal has limited 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 of Directors 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.

**(a) Critical judgments in applying accounting policies**

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.

**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.

**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 required management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

**(b) 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 assets and liabilities.

**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.

**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.

**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– *Standards of Disclosure For Oil and Gas Activities ("NI-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.

**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: share price, 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.

**Liquidity**

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgment and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. The current challenging economic climate may lead to adverse changes in cash flow or working capital levels, which may also have a direct impact on the Company's results and financial positions. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate profits in the future.

## NEW ACCOUNTING STANDARDS

### Leases

Effective April 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"), which replaces previous IFRS guidance on leases: IAS 17 Leases ("IAS 17"). Under IAS 17, lessees were required to determine if the lease was a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases were recognized on the consolidated statement of financial position while operating leases were recognized in net income (loss) and comprehensive income (loss) in the consolidated statements of comprehensive income (loss). IFRS 16 introduced a single lease accounting model for lessees which requires a right-of-use asset and liability to be recognized on the statement of financial position for contracts that are, or contain, a lease. The Company adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as a $249,933 increase to right-of-use assets (Note 9), with a corresponding increase to lease liability (Note 13). There was an adjustment of $ 31,232 to the right-of-use assets for lease incentives previously received.

### Business combinations

On adoption of IFRS 16, the Company's lease liability related to contracts classified as leases are measured at the discounted present value of the remaining minimum lease payments, excluding short-term and low-value leases. The right-of-use assets recognized were measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate used to determine the lease liability at adoption was approximately 6.0%. The right-of-use asset and lease liability recognized relate to the Company's head office lease in Calgary.

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The changes clarify the minimum requirements to be a business, assess whether an acquired process is substantive, narrow the definition of outputs and implement an optional concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020, and apply prospectively and early application is permitted.

## NON-IFRS MEASUREMENTS

Within this MD&A, references are made to terms commonly used in the oil and gas industry. Operating netbacks, netbacks per share, funds from (used in) operations, funds from (used in) operations per share, adjusted net income and adjusted net income per share do not have any standardized meaning under IFRS and are referred to as non-IFRS measures. Operating netback equals total revenue (including realized gain (loss) on financial instruments) less royalties and operating expenses. Operating netback per barrel equals netback divided by the applicable number of barrels. Management utilizes these measures for operational performance. Funds from (used in) operations is a non-IFRS measure which is calculated by adding back all non-cash expense deductions to the net loss for the quarter and year. Funds from (used in) operations per share is a non-IFRS measure calculated as calculated by dividing funds from (used in) operations by weighted average basic and diluted shares outstanding for the periods disclosed Adjusted net income 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 income equals net income (loss) less unrealized gain (losses) on foreign exchange and unrealized gain (losses) on financial instruments plus non-cash impairment of non-current assets. Adjusted net income per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings (loss) per share.

Management believes the presentation of the non-IFRS measures above provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

The above non-IFRS measures do not have any standardized meaning under GAAP (as that term is defined in National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards) and therefore may not be comparable to similar measures presented by other issuers.

The following table reconciles cash from operations to funds from (used in) operations, which is used in this MD&A:

| ($000s) | Three months ended March 31 2020 | 2019 | Twelve months ended March 31 2020 | 2019 |
|---|---|---|---|---|
| Cash from operating activities | 27 | 635 | 1,129 | 2,691 |
| Changes in non-cash working capital | (876) | 207 | (668) | (471) |
| Funds (used in) from operations | (849) | 842 | 461 | 2,220 |

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

| ($000s) | Three months ended March 31 2020 | 2019 | Twelve months ended March 31 2020 | 2019 |
|---|---|---|---|---|
| Net loss | (2,196) | (2,144) | (2,896) | (2,475) |
| Unrealized loss (gain) on financial instruments | (1,760) | 740 | (1,290) | (1,086) |
| Unrealized foreign exchange (gain) loss | 2,219 | (104) | 2,415 | 1,295 |
| Non-cash impairment of non-current assets | 626 | 1,906 | 646 | 2,791 |
| Adjusted net income (loss) | (1,111) | 397 | (1,125) | 525 |

**ABBREVIATIONS**

The following abbreviations used in this MD&A have the meanings set forth below:

| | | |
|---|---|---|
| bbl | - | barrel |
| bbls | - | barrels |
| bbls/d | - | barrels per day |
| $/bbl | - | dollars per barrel |
| FY | - | fiscal year |
| K | - | thousand |
| km | - | kilometres |
| $km^2$ | - | square kilometres |
| Q1 | - | three months ended June 30 |
| Q2 | - | three months ended September 30 |
| Q3 | - | three months ended December 31 |
| Q4 | - | three months ended March 31 |
| Santos | | Santos Ltd. |
| WI | - | working interest |
| YTD | - | year to date |

## 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.

### Risks Relating to the COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. 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 Company is exposed to the risks relating to public health emergencies, including COVID-19, and related government responses which may have a material and adverse effect on the Company's business, financial condition and operations. The extent to which COVID-19 may impact the Company's business is uncertain and not currently determinable. In the event that the prevalence of COVID-19 continues to increase, governments may enact further measures or extend existing measures impacting the Company's operations, suppliers, customers, counterparties, shippers, partners, employee health, the availability and function of regulatory agencies, or the flow of labour. The Company continues to monitor and is taking precautions to adhere to all applicable occupational health guidelines and all recommendations from applicable government agencies and public health authorities. Such measures and mandates may also increase the Company's expenses.

The duration and continued severity of the COVID-19 pandemic is uncertain, and may continue for a significant period of time.

### 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. Global oil prices have recently been negatively impacted by oversupply and demand destruction associated with the COVID-19 pandemic. 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, may 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 may 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 may affect Bengal's ability to expend the necessary capital to replace its reserves or to maintain its production. If Bengal's funds from (used in) 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., Suite 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 this MD&A constitute forward-looking statements or information ("forward-looking statements") as defined by applicable securities laws. 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 this MD&A should not be unduly relied upon. The projections, estimates and beliefs contained in such forward-looking statements are based on management's estimates, opinions, and assumptions at the time the statements were made, including assumptions relating to: the impact of economic conditions in North America and Australia and globally; industry conditions; changes in laws and regulations including, without limitation, the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the availability of qualified operating or management personnel; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility and fluctuations in market valuations of companies with respect to announced transactions and the final valuations thereof; results of exploration and testing activities; and the ability to obtain required approvals and extensions from regulatory authorities.*
*In particular, this MD&A contains forward-looking statements pertaining to the following:*

- *Oil and natural gas production levels;*
- *Pipeline oil volume, sales and price estimates;*
- *The size of the oil and natural gas reserves;*
- *Bengal's drilling program and waterflood pilot;*
- *The belief that the Cooper Basin assets offer attractive upside potential for oil and gas;*
- *The expected timing of restarting the 2020 multi-well development and appraisal drilling campaign;*
- *The expected timing of the pilot reservoir maintenance scheme at the Cuisinier 24 well and the anticipated production increases resulting from the injection of produced formation water and future water flood expansion phases;*
- *The planned extended production tests on the Nubba gas discovery well and expected timing of tying in the well*
- *The expectation of placing the appropriate hedges on the Company's production;*
- *The expected timing of the commencement of a pilot pressure maintenance scheme and the potential positive performance response of in the Cuisinier field;*
- *The timing of he extended production test on the Nubba gas discovery well on the Wompi block;*
- *The timing of the completion of the depth image processing completion on ATP 934;*
- *The possibility and timing of a third party farm in agreement on ATP 934 Barrolka;*
- *The possibility of additional reprocessing and acquisition of 2D and 3D seismic on ATP 934;*
- *Projections of market prices and costs including, but not limited to, expected royalty rates;*
- *Expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;*
- *That required payments will be met out of operation cash flows and alternative forms of financing;*
- *Expectations regarding the Credit Facility and the results of discussions with Westpac;*
- *Bengal's ability to finance its working capital deficiency and to source funds for the same;*
- *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, share issuances or other alternative forms of capital raising and funds will be sufficient to meet requirements including but not limited to Bengal's exploration activities through fiscal 2020 and capital program;*
- *Anticipated adverse impacts on the Company's operating results, liquidity and financial position as a result of the current economic climate, and the expected persistence of depressed revenue and cash flow through 2021;*
- *Expectations that a firm agreement will be executed with a third party with an interest in farming-in on a portion of the ATP 934 block;*
- *The anticipated commercial viability of certain areas of the Barta block;*
- *The Company's plans to target future foreign operations in jurisdictions with known long-term oil and gas ventures; and*
- *The continued integration of subsurface data to select drilling locations.*

*The forward-looking statements contained herein are subject to numerous known and unknown risks and uncertainties that may cause Bengal's actual results, performance or achievement to differ materially from those expectations expressed in, or implied by, these forward-looking statements, including but not limited to, risks associated with:*

- *Fluctuations in commodity prices, foreign exchange or interest rates;*
- *Uncertainties associated with the COVID-19 pandemic;*
- *Changes in the demand for or supply of Bengal's products;*
- *Liabilities inherent in oil and natural gas operations;*
- *The failure to obtain required regulatory approvals or extensions;*
- *The failure to satisfy the conditions under farm-in and joint venture agreements;*
- *The failure to secure required equipment and personnel;*
- *Changes in general global economic conditions including, without limitations, the economic conditions in North America and Australia;*

- *Uncertainties associated with estimating oil and natural gas reserves;*
- *Increased competition for, among other things: capital, acquisitions of reserves, undeveloped lands and skilled personnel;*
- *The availability of qualified operating or management personnel;*
- *Incorrect assessment of the value of acquisitions;*
- *Inability to meet commitments due to inability to raise funds or complete farm-outs;*
- *Geological, technical, drilling and processing problems;*
- *Bengal's development and exploration opportunities;*
- *The results of exploration and development drilling and related activities;*
- *Changes in laws and regulations including, without limitation, the adoption of new environmental, royalty and tax laws and regulations and changes in how they are interpreted and enforced;*
- *The ability to access sufficient capital from internal and external sources; 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 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).*

***Disclosure of Oil and Gas Information***

*Unless otherwise specified, reserves data set forth in this document is based upon an independent reserve assessment and evaluation prepared by GLJ with an effective date of March 31, 2019 (the "GLJ Report"). The GLJ Report has been prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") and the reserve definitions contained in National Instrument 51-101 – Standards of Disclosure For Oil and Gas Activities ("NI 51-101").*

*This document discloses unbooked drilling locations. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors.*

***Internal Estimates***

*Certain information contained herein is based on estimated values the Company believes to be reasonable and are subject to the same limitations as discussed under "Forward-looking Statements" above.*

# 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

## STOCK EXCHANGE LISTING – TSX: BNG