



## **Consolidated Financial Statements**

**Years Ended  
March 31, 2021 and 2020**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards outlined in the notes to the consolidated financial statements. The consolidated financial statements include certain estimates that reflect management's best judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards. The financial information contained in the annual report is consistent with that in the consolidated financial statements.

Management is also responsible for establishing and maintaining appropriate systems of internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to management regarding the preparation and presentation of the consolidated financial statements. Management tested and evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting as at March 31, 2021. During this evaluation, management identified material weaknesses due to the limited number of finance and accounting personnel at the Company dealing with complex and non-routine accounting transactions that may arise and due to a lack of segregation of duties and as a result the controls are not considered effective. All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable but not absolute assurance that financial information is accurate and complete.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent annual general meeting, to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent professional opinion.

The audit committee of the Board of Directors with all of its members being independent directors, have reviewed the consolidated financial statements including notes thereto with management and KPMG LLP. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

*(signed) "Chayan Chakrabarty"*

Chayan Chakrabarty

President & Chief Executive Officer

*(signed) "Jerrad Blanchard"*

Jerrad Blanchard

Chief Financial Officer

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bengal Energy Ltd.

## **Opinion**

We have audited the consolidated financial statements of Bengal Energy Ltd. (the "Company"), which comprise:

- the consolidated statements of financial position as at March 31, 2021 and March 31, 2020
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended March 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

### **Assessment of indicators of impairment for the Cuisinier cash-generating unit, which includes the petroleum and natural gas properties therein**

#### *Description of the matter*

We draw attention to notes 3 (f), 4 (a), 4 (b) and 8 to the financial statements. The Company assesses at each reporting date whether there is an indication that petroleum and natural gas properties within the Cuisinier cash generating unit (the "Cuisinier CGU") may be impaired. The Company determined that there were no external or internal indicators of impairment at March 31, 2021 for the Cuisinier CGU and no impairment tests were required. Significant management judgment is required to analyze the relevant external and internal indicators of impairment with the estimate of proved and probable oil and gas reserves and the related cash flows being significant to the assessment.

The estimate of proved and probable oil and gas reserves and the related cash flows includes significant assumptions related to:

- Forecasted oil and gas commodity prices

- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs

The Company engages an independent third party reserve engineer to estimate the proved and probable oil and gas reserves and the related cash flows as at March 31, 2021.

*Why the matter is a key audit matter*

We identified the assessment of indicators of impairment for the Cuisinier CGU, which includes the petroleum and natural gas properties therein, as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the internal and external indicators of impairment including the estimate of proved and probable oil and gas reserves and the related cash flows.

*How the matter was addressed in the audit*

The following are the primary procedures we performed to address this key audit matter:

We evaluated the Company's assessment of external and internal indicators of impairment by considering whether quantitative and qualitative information in the analysis was consistent with external market and industry data, the Company's press releases and certain minutes of the meetings of the Board of Directors and the estimate of proved and probable oil and gas reserves and the related cash flows

With respect to the estimate of proved and probable oil and gas reserves and the related cash flows as at March 31, 2021:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve engineer engaged by the Company
- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve engineers
- We compared the fiscal 2021 actual production, operating costs, royalty costs and development costs of the Company to those estimates used in the prior year's estimate of proved oil and gas reserves and the related cash flows to assess the Company's ability to accurately forecast
- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to fiscal 2021 historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.

***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is David Yung.

Chartered Professional Accountants

Calgary, Canada

June 17, 2021

# BENGAL ENERGY LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Thousands of Canadian dollars)

<b>As at March 31,</b>	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	5	\$ 4,531	\$ 998
Restricted cash		40	140
Trade and other receivables	6	1,224	1,639
Prepaid expenses and deposits		445	126
Fair value of financial instruments		-	1,477
		6,240	4,350
Exploration and evaluation assets	7	9,890	8,930
Property, plant and equipment	8	28,116	26,292
<b>Total assets</b>		<b>\$ 44,246</b>	<b>\$ 39,572</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade and other payables	9	\$ 1,939	\$ 1,041
Current portion of credit facility	11	-	17,695
Current portion of lease liability	12	31	48
		1,970	18,748
Decommissioning and restoration liability	13	3,478	3,690
Lease liability	12	68	156
		5,516	22,630
Shareholders' equity:			
Share capital	14	114,636	98,100
Contributed surplus		7,870	7,861
Accumulated and other comprehensive loss		(336)	(1,651)
Deficit		(83,440)	(87,368)
		38,730	16,942
<b>Total liabilities and shareholder's equity</b>		<b>\$ 44,246</b>	<b>\$ 39,572</b>

Commitments (Note 23)

See accompanying notes to the consolidated financial statements.

# BENGAL ENERGY LTD.

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Thousands of Canadian dollars, except per share amounts)

For the years ended March 31,	Notes	2021	2020
Revenue			
Oil sales	16	\$ 5,234	\$ 8,103
Royalties		(314)	(316)
		4,920	7,787
Realized gain on financial instruments	20	1,033	533
Unrealized (loss) gain on financial instruments	20	(1,539)	1,290
		4,414	9,610
Expenses			
General and administrative		2,334	3,303
Operating		3,199	3,773
Depletion and depreciation	8	1,333	1,397
Impairment	7,8	-	646
Share-based compensation		9	28
(Gain) loss on foreign exchange		(3,694)	2,304
		3,181	11,451
Other (income) expense			
Gain on settlement of long-term debt	11	(3,490)	-
Other		(114)	(221)
Finance expense	19	909	1,276
Net income (loss)		3,928	(2,896)
Exchange differences on translation of foreign operations		1,315	(1,647)
Comprehensive income (loss)		\$ 5,243	\$ (4,543)
Income (loss) per share – basic & diluted	17	\$ 0.03	\$ (0.03)
Weighted average shares outstanding (000s) – basic & diluted	17	133,073	102,267

See accompanying notes to the consolidated financial statements.

# BENGAL ENERGY LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Canadian dollars)

<b>For the years ended March 31,</b>	<b>2021</b>	<b>2020</b>
<b>Share capital</b>		
Balance beginning of the year	\$ 98,100	\$ 98,100
Issuance of common shares for cash	16,536	-
Balance at end of year	114,636	98,100
<b>Contributed surplus</b>		
Balance at beginning of year	7,861	7,832
Share-based compensation - expensed	9	28
Share-based compensation – capitalized	-	1
Balance at end of year	7,870	7,861
<b>Accumulated other comprehensive loss</b>		
Balance at beginning of year	(1,651)	(4)
Exchange differences translation of foreign operations	1,315	(1,647)
Balance end of year	336	1,651
<b>Deficit</b>		
Balance at beginning of year	(87,368)	(84,472)
Net income (loss)	3,928	(2,896)
Balance at end of year	(83,440)	(87,368)
Total shareholders' equity	\$ 38,730	\$ 16,942

See accompanying notes to the consolidated financial statements.

# BENGAL ENERGY LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Canadian dollars)

For the years ended March 31,	Notes	2021	2020
<b>Operating activities:</b>			
Net income (loss) for the year		\$ 3,928	\$ (2,896)
Add (deduct) non-cash items			
Depletion and depreciation		1,333	1,397
Accretion on decommissioning and restoration liability		19	34
Accretion on credit facility		215	301
Gain on asset sale and other		(15)	(221)
Gain on settlement of credit facility	11	(3,490)	-
Share-based compensation		9	28
Interest on lease liability		10	14
Lease incentive		-	31
Impairment		-	646
Unrealized loss (gain) on financial instruments		1,539	(1,290)
Unrealized foreign exchange (gain) loss		(3,853)	2,415
Funds (used in) from operations		(305)	459
Change in non-cash working capital	22	606	668
Net cash from operating activities		301	1,127
<b>Investing activities:</b>			
Exploration and evaluation expenditures	7	(61)	(22)
Petroleum and natural gas property expenditures	8	(1,193)	(2,013)
Proceeds on asset sale		-	221
Change in restricted cash		100	-
Change in non-cash working capital	21	474	(947)
Net cash used in investing activities		(680)	(2,761)
<b>Financing activities:</b>			
Issuance of common shares	14	16,536	-
Repayment of credit facility	11	(12,649)	-
Facility extension fees	11	-	(98)
Lease payments	12	(53)	(60)
Change in non-cash working capital	22	(6)	(2)
Net cash from (used in) financing activities		3,828	(160)
Net increase (decrease) in cash and cash equivalents		3,449	(1,794)
Cash and cash equivalents, beginning of year		998	2,891
Impact of foreign exchange on cash and cash equivalents		84	(99)
Cash and cash equivalents, end of year		\$ 4,531	\$ 998

See accompanying notes to the consolidated financial statements.

# BENGAL ENERGY LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2021 and 2020

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

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### 1. REPORTING ENTITY

Bengal Energy Ltd (the “Company” or “Bengal”) is incorporated under the laws of the Province of Alberta and is involved in the exploration, development and production of oil and gas reserves in Australia. The consolidated financial statements (the “financial statements”) of the Company as at March 31, 2021 and 2020 and for the years then ended are comprised of the Company and its wholly-owned subsidiaries including Bengal Energy Australia (Pty) Ltd. (“Bengal Pty”) and Bengal Energy International Inc., which are incorporated in Australia and Canada respectively. The Company conducts many of its activities jointly with others; these financial statements reflect only the Company’s proportionate interest in such activities.

The Company has its registered office at 2400, 525 – 8th Avenue SW, Calgary, Alberta T2P 1G1 and its head and principal office at 1110, 715 5th Ave SW, Calgary, Alberta, Canada, T2P 2X6.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). See Note 3 for significant accounting policies.

The financial statements were approved and authorized for issuance by the Board of Directors on 17, 2021.

These financial statements have been prepared on a historical cost basis, except for commodity contracts as discussed in Note 20.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company and its subsidiaries.

#### (a) Basis of consolidation

The financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries Bengal Energy Australia (Pty) Ltd. and Bengal Energy International Inc.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The Company recognizes in the financial statements its proportionate share of the assets, liabilities, revenues and expenses of its joint operations.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### (b) Cash and cash equivalents

Cash and cash equivalents include cash and all investments with a maturity of three months or less.

### **(c) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax "risk-free" rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense. Provisions are not recognized for future operating losses.

#### **Decommissioning and restoration liabilities**

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the period end date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision was established.

### **(d) Oil and natural gas exploration and evaluation expenditures**

#### **Exploration and evaluation assets ("E&E assets")**

All costs incurred prior to obtaining the legal right to explore an area are expensed when incurred.

Generally, costs directly associated with the exploration and evaluation of crude oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability have not yet been demonstrated. These costs generally include unproved property acquisition costs, geological and geophysical costs, sampling and appraisals, drilling and completion costs and capitalized decommissioning costs.

Costs are held in exploration and evaluation assets until the technical feasibility and commercial viability of the project is established. Amounts are generally reclassified to petroleum and natural gas properties once probable reserves have been assigned to the field. If probable reserves have not been established through the completion of exploration and evaluation activities and there are no future plans for activity in that field, then the exploration and evaluation expenditures are determined to be impaired and the amounts are charged to profit or loss.

### **(e) Petroleum and natural gas properties**

Petroleum and natural gas properties are stated at cost less accumulated depreciation and depletion and accumulated impairment losses. The initial cost of a petroleum and natural gas property is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given up to acquire the asset.

#### **Subsequent costs**

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

## **Depletion and depreciation**

The net book value of producing assets are depleted on a field-by-field basis using the unit of production method with reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis.

Other assets are depreciated on a declining basis at rates ranging from 20% to 30% per annum.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as separate line items in profit or loss.

## **(f) Impairment**

### **E&E assets and petroleum and natural gas properties**

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to petroleum and natural gas properties. For the purpose of impairment testing, E&E assets are grouped by concession or production field with other E&E assets belonging to the same concession or production field. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognized in profit or loss. Recoverable amount is determined as the higher of the value in use or fair value less costs to sell.

At the end of each reporting period, the Company reviews the petroleum and natural gas properties for external or internal circumstances that indicate that the petroleum and natural gas properties may be impaired. For the purpose of impairment testing, assets are grouped together into cash generating units ("CGU"s) for the purpose of impairment testing, which is the lowest level at which there are identifiable cash inflows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. A CGU's recoverable amount is the higher of its fair value less costs to sell ("FVLCS") and its value in use ("VIU"). At March 31, 2021, the Company has one producing CGU, the Cuisinier field located in Australia, in the Cooper Basin.

The FVLCS is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The VIU is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. The cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

An impairment is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses, if any, are recognized on the consolidated statement of profit or loss and comprehensive profit or loss.

At the end of each subsequent reporting period, impairment losses are assessed for indicators of impairment reversal. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, had no impairment loss have been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in the statement of profit or loss and comprehensive profit or loss.

### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the

difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

## **(g) Financial instruments**

Financial instruments comprise of cash and cash equivalents, restricted cash, trade and other receivables, derivative contracts, trade and other payables and credit facility.

### **i. Classification and measurement of financial assets:**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss ("FVTPL");

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Partnership may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

#### **a) Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### **b) Financial assets at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### **c) Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized

in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

ii. **Classification and measurement of financial liabilities:**

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company has classified cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables as 'amortized cost'.

iii. **Derivative financial instruments**

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

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

iv. **Share capital**

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

**(h) Foreign currency translation**

The financial statements are presented in Canadian dollars, which is the Canadian parent entity's functional and presentation currency and the functional currency of the Australian subsidiary is Australian dollars. For the accounts of foreign operations, assets and liabilities are translated at period end exchange rates, while revenues and expenses are translated using average rates over the period. Translation gains and losses relating to the foreign operations are included in accumulated other comprehensive income, a component of equity. Foreign currency transactions are translated into the legal entity's functional currency at the exchange rate in effect at the transaction; and any gains or losses are recorded in profit or loss.

**(i) Share-based compensation**

The Company accounts for share-based compensation granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the options at grant date. An estimated forfeiture rate is incorporated into the fair value calculated and adjusted to reflect the actual number of options that vest. Share-based compensation expense is recorded and reflected as share-based compensation expense over the vesting period with a corresponding amount reflected in contributed surplus. At exercise, the associated amounts previously recorded as contributed surplus are reclassified to share capital.

**(j) Revenue recognition**

The nature of the Company's performance obligations, including roles as third parties and partners,

are evaluated to determine if the Company acts as a principal. The Company recognizes revenue on a gross basis when it acts as the principal and has primary responsibility for the transaction. Revenue is recognized on a net basis if the Company acts in the capacity of an agent rather than as a principal.

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

**(k) Per share amounts**

Basic per share amounts are computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options or other dilutive instruments were exercised into common shares. The treasury stock method assumes that any proceeds upon the exercise of dilutive instruments, including remaining unamortized compensation costs, would be used to purchase common shares at the average market price of the common shares during the period.

**(l) Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(m) Finance income and expenses**

Finance income consists of interest earned on term deposits. Finance expenses include letter of credit charges, interest on the Credit Facility, and accretion of the discount on decommissioning obligations.

**(n) Determination of fair value**

A number of the Company’s accounting policies and disclosures required the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**Fair Value Hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three categories based on the degree to which fair value is observable:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - Valuations are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; including forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace;

Level 3 - Inputs that are not based on observable data for the asset or liability.

The Company's financial instruments comprise cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, credit facility and derivatives.

The Company's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period.

Fair values have been determined for measurement and disclosure purposes as follows:

**i) Cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, lease liability**

The fair values of these financial instruments approximate their carrying amounts due to their short-term maturity.

**ii) Credit facility**

The fair value of the Company's credit facility approximates its carrying value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit risk.

**iii) Derivatives**

The Company's commodity contracts (swaps and put options) are measured at level 2 of the fair value hierarchy. The fair value of the swap component is determined by discounting the difference between the contracted prices and published forward price curves as at the period end date, using the remaining contracted oil volumes and a risk-free interest rate. The fair value of puts are based on option models that use published information with respect to volatility, prices and interest rates.

**(o) Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liability using the effective interest rate method and payments are applied against the lease liability. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

**(p) Government grants**

Government grants related to assets are initially recognized by the Company as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized. During year ended March 31, 2021, the Company recognized \$249,675 as a reduction to operating/administrative expenses related to the Canadian government wage and rental subsidy.

#### **4. MANAGEMENT JUDGMENTS AND ESTIMATES**

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

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. As a result of the global pandemic, in addition to numerous other factors, global commodity prices have experienced abnormal volatility over the past 24 months. 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 economic instability. 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.

##### **(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**

Petroleum and natural gas properties are aggregated into cash-generating units, for the purpose of assessing recoverability, based on their ability to generate largely independent cash inflows. 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**

The Company assesses at each reporting date whether there is an indication that petroleum and natural gas properties within the Cuisinier cash generating unit (the "Cuisinier CGU") may be impaired. Significant judgment is required to analyze the relevant external and internal indicators of impairment with the estimate of proved and probable and oil and gas reserves and the related cash flows being significant to the assessment. If any such indication exists, the asset's or the CGU's recoverable amount is estimated.

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**

Petroleum and natural gas properties are assessed for recoverability at a CGU level. The determination of CGUs is subject to management judgements. Recoverability is assessed by comparing the carrying value of the asset to its recoverable amount, which is based on the higher of FVLCS or VIU.

The significant estimates used in the determination of the recoverable amount include the following:

- proved and probable oil and gas reserves and the related cash flows
- discount rates – the discount rates used to calculate the net present value of proved and probable oil and gas reserves may be influenced by changes in the economic environment which could result in significant changes to the estimate

The estimate of proved plus probable oil and gas reserves and the related cash flows requires the expertise of independent third party reserve engineers and includes significant assumptions related to:

- Forecasted oil and gas commodity prices
- Forecasted production
- Forecasted operating costs
- Forecasted royalty costs
- Forecasted future development costs.

## **Reserves**

The estimate of proved and probable oil and 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 petroleum and natural gas properties 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 third party reserve engineers at least annually in accordance with Canadian Securities Administrators' National Instrument 51-101. Reserve estimation is based on a variety of factors including engineering data, geological and geophysical data, projected future rates of production, forecasted oil and gas commodity prices, 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.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statement of financial position are comprised of:

<b>(\$000s)</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Cash and bank balances	4,531	994
Short-term deposits	-	4
	<b>4,531</b>	<b>998</b>

## 6. TRADE AND OTHER RECEIVABLES

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

The Company's trade and other receivables consist of:

<b>(\$000s)</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Due from joint venture partners	1,206	1,628
Other receivables	18	11
	<b>1,224</b>	<b>1,639</b>

## 7. EXPLORATION AND EVALUATION ASSETS ("E&E ASSETS")

<b>(\$000s)</b>	
Balance, April 1, 2019	9,711
Additions	22
Impairment	(10)
Exchange adjustments	(793)
Balance, March 31, 2020	8,930
Additions	61
Exchange adjustments	899
Balance, March 31, 2021	9,890

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

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

<b>(\$000s)</b>	
ATP 732P – Tookoonooka	5,224
PL 303 – Barta Block Cuisinier (controlling permit ATP 752)	2,683
ATP 934 – Barrolka	1,983
Balance, March 31, 2021	9,890

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

## 8. PROPERTY, PLANT AND EQUIPMENT (“PP&E”)

<b>(\$000s)</b>	<b>Petroleum and natural gas properties</b>	<b>Other assets</b>	<b>Right-of-use assets</b>	<b>Total</b>
<i>Cost:</i>				
Balance, April 1, 2019	45,367	344	-	45,711
Additions	1,752	-	-	1,752
Acquisition	1,798	-	-	1,798
Adoption of IFRS 16	-	-	219	219
Capitalized share-based compensation	1	-	-	1
Change in decommissioning and restoration liability	368	-	-	368
Exchange adjustments	(5,464)	-	-	(5,464)
Balance, March 31, 2020	43,822	344	219	44,385
Additions	1,193	-	-	1,193
Disposals	-	-	(76)	(76)
Change in decommissioning and restoration liability	(623)	-	-	(623)
Exchange adjustments	6,388	-	-	6,388
Balance, March 31, 2021	50,780	344	143	51,267

<b>(\$000s)</b>	<b>Petroleum and natural gas properties</b>	<b>Other assets</b>	<b>Right-of-use assets</b>	<b>Total</b>
<i>Accumulated depletion, depreciation and impairment losses:</i>				
Balance, April 1, 2019	18,937	312	-	19,249
Depletion and depreciation	1,343	7	47	1,397
Impairment	636	-	-	636
Exchange adjustments	(3,189)	-	-	(3,189)
Balance, March 31, 2020	17,727	319	47	18,093
Depletion and depreciation	1,285	6	42	1,333
Disposals	-	-	(28)	(28)
Exchange adjustments	3,753	-	-	3,753
Balance, March 31, 2021	22,765	325	61	23,151
<b>(\$000s)</b>				
<i>Net carrying amount:</i>				
At March 31, 2020	26,095	25	172	26,292
At March 31, 2021	28,015	19	82	28,116

At March 31, 2021, the Company determined that there were no external or internal indicators of impairment. As a result, no impairment testing was conducted. During fiscal 2021, the Company capitalized \$nil million general and administrative expense (2020 - \$0.3 million). The calculation of depletion for the year ended March 31, 2021 included \$60.9 million for estimated future development costs associated with proved and probable reserves in Australia (March 31, 2020 - \$59.7 million).

The Company recorded an impairment charge of \$0.6 million during fiscal 2020 due to uneconomic drilling results.

At March 31, 2020, the Company evaluated its petroleum and natural gas assets for external and internal 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 FVLCD, 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.

The following forecasted oil and gas commodity prices were used at March 31, 2020:

Year	Exchange Rate USD/CAD	Brent Blend Crude Oil FOB North Sea Then Current USD/bbl
2020	0.727	38.64
2021	0.730	45.50
2022	0.735	52.50
2023	0.740	57.50
2024	0.745	62.50
2025	0.750	62.95
2026	0.750	64.13
2027	0.750	65.33
2028	0.750	66.56
2029	0.750	67.81
2030+	0.750	+2.0%/yr.

During fiscal 2020, the Company acquired four Petroleum Leases (“PLs”), for nominal cash consideration. The associated decommissioning and restoration liability is valued at \$1.5 million and acquisition costs of \$0.26 million. All four PLs are located adjacent to the Company’s existing gas exploration block ATP 934 in the Cooper Basin.

## 9. TRADE AND OTHER PAYABLES

(\$000s)	March 31, 2021	March 31, 2020
Trade payables	1,434	417
Accrued liabilities and other payables	505	624
	1,939	1,041

## 10. INCOME TAXES

The provision for income taxes differs from the amount obtained in applying the combined federal and provincial income tax rates to the loss for the year. The difference relates to the following items:

(\$000s)

<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Loss before taxes	3,928	(2,896)
Statutory tax rate	23.5%	26%
Expected income tax recovery	923	(753)
Change in enacted tax rates	-	2,054
Share-based compensation	3	7
Foreign exchange	1,423	-
Effect of tax rate in foreign jurisdiction	325	(66)
Other	140	131
Changes in unrecognized tax asset	(2,814)	(1,373)
Income tax recovery	-	-

The deductible temporary differences included in the Company's unrecognized deferred income tax assets are as follows:

(\$000s)

<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Non-capital losses	44,789	47,287
Net capital losses	5,983	5,092
P&NG properties	8,728	7,478
	<b>59,500</b>	<b>59,857</b>

The components of the Company's and its subsidiaries deferred income tax assets are as follows:

**(\$000s)**

<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Property, plant and equipment	5,763	5,114
Fair value of financial instruments	(5)	434
Foreign exchange	1,353	(1,559)
Decommissioning obligations	(1,043)	(1,107)
Non-capital losses	(6,068)	(2,897)
	-	-

At March 31, 2021, the Company had approximately \$37.1 million and \$27.9 million of non-capital losses in Canada and Australia respectively (2020 - \$31.8 million and \$25.2 million, respectively), available to reduce future taxable income. The Canadian non-capital losses expire at various dates from March 31, 2026 to 2041. The Australian non-capital losses have no term to expiry. The Company's ongoing drilling activities continue to generate deferred tax assets related to Petroleum Resource Rent Tax in its Australian subsidiary, which has not been recognized.

The Company has temporary differences associated with its investments in its foreign subsidiaries, branches, and interests in joint ventures. At March 31, 2021, the Company has no deferred tax liabilities in respect of these temporary differences.

On May 28, 2019, the Government of Alberta reduced the general corporate income tax rate to 8% (from 12%) over four years. Starting July 1, 2019, the general corporate tax rate decreased to 11% (from 12%), with further 1% rate reductions every year on January 1 until the general corporate tax rate is 8% on January 1, 2022, which results in a combined Canadian federal and provincial income tax rate of 23.5%.

## 11. CREDIT FACILITY

**(\$000s)**

Gross proceeds	15,364
Total cash fees	(994)
Repayment	(2,160)
	12,210
Facility extension fees	(325)
Unrealized foreign exchange loss	4,274
Accretion	1,536
Balance, March 31, 2020	17,695
Unrealized foreign exchange loss	(1,770)
Repayment	(12,649)
Gain on settlement	(3,490)
Accretion	214
Balance, March 31, 2021	-

On February 26, 2021, the Company completed its debt settlement transaction between its wholly-owned subsidiary Bengal Australia Ltd. Pty and Westpac Banking Corporation (“Westpac”) under its secured credit facility (the “Credit Facility”) whereby the total balance outstanding of US\$ 12.5 million was settled in exchange for a payment of US \$10.0 million resulting in a gain on settlement of \$3,490. In conjunction with this, the Company entered into a recapitalization transaction with Texada Capital Management Ltd. (“Texada”) (Note 14). The transaction included the issuance of 330,720,000 shares at a price of \$0.05 per share for proceeds of \$16.5 million, of which \$12.6 million (corresponding to US \$10.0 million at the transaction date) were used as settlement payment to Westpac.

## 12. LEASE LIABILITY

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

<b>(\$000s)</b>	
Balance, March 31, 2019	-
IFRS 16 transition adjustment (Note 3)	250
Interest	14
Payments	(60)
Balance, March 31, 2020	204
Interest	10
Payments	(53)
Right-of-use adjustment	(62)
Balance, March 31, 2021	99
Current portion of lease liability	(31)
Non-current portion of lease liability	68

## 13. DECOMMISSIONING AND RESTORATION LIABILITY

Changes to decommissioning and restoration obligations were as follows:

<b>(\$000s)</b>	
Balance, April 1, 2019	1,977
Change in estimate	368
Acquisition (Note 9)	1,538
Accretion	34
Exchange adjustments	(227)
Balance, March 31, 2020	3,690
Change in estimate	(623)
Accretion	19
Exchange adjustments	392
Balance, March 31, 2021	3,478

The Company’s decommissioning liabilities result from ownership interests in petroleum and natural gas properties. The Company estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning and restoration costs at March 31, 2021 is approximately \$4.1 million (March 31, 2020 – \$4.0 million) which will be incurred between 2023 and 2057. An inflation factor of 1.1% (March 31, 2020 – 1.73%) and a risk-free discount rate of 1.74% (March 31, 2020 – 0.77%) have been applied to the decommissioning liability at March 31, 2021.

#### 14. SHARE CAPITAL

##### Authorized:

Unlimited number of common shares with no par value.

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

##### Issued:

The following provides a continuity of share capital:

(\$000s)	Number of common shares	Amount
Balance at March 31, 2020	102,266,694	98,100
Issuance of common shares for cash	330,720,000	16,536
Balance at March 31, 2021	432,986,694	114,636

On February 26, 2021 the Bengal issued 330,720,000 as part of a private placement transaction with Texada, which is controlled by Bill Wheeler who acts as a director of the Company. Following this transaction, Texada controls approximately 83% of the Company's outstanding shares.

#### 15. SHARE-BASED COMPENSATION

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

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

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

A summary of stock option activity is presented below:

	Options	Weighted average exercise price
		\$
Balance, March 31, 2019	4,102,500	0.12
Expired	(152,201)	0.11
Forfeited	(477,799)	0.12
Balance, March 31, 2020	3,472,500	0.12
Granted	11,340,000	0.08
Expired	(1,012,500)	0.16
Forfeited	(83,333)	0.11
Balance, March 31, 2021	13,716,667	0.08
Exercisable, March 31, 2021	2,376,667	0.10

Exercise Price	Options Outstanding		Options Exercisable
	Number Outstanding	Remaining Life (years)	Number Exercisable
\$0.10	2,185,000	1.25	2,185,000
\$0.11	166,667	2.00	166,667
\$0.125	25,000	1.50	25,000
\$0.08	11,340,000	5.00	-
	13,716,667	1.87	2,376,667

The fair value of the options granted during fiscal 2021 were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions and resulting values:

**Assumptions:**

Risk-free interest rate (%)	1.00
Expected life (years)	5
Expected volatility (%) <sup>(1)</sup>	29
Estimated forfeiture rate (%)	20
Weighted average fair value of options granted	\$0.02
Weighted average share price on date of grant	\$0.08

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

The fair value of the 11,340,000 stock options granted during Q4 fiscal 2021 was approximately \$200,000.

## 16. REVENUE

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

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

## 17. PER SHARE AMOUNTS

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

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<b>(\$000s except per share amounts)</b>		
<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Net income (loss) for the year	3,928	(2,896)
Weighted average number of		
common shares – basic and diluted (000s)	133,073	102,267
Basic and diluted income (loss) per share	\$0.03	\$ (0.03)

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For the year ended March 31, 2021, there were 13,716,667 (March 31, 2020 - 3,472,500) options considered anti-dilutive.

## 18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Company considers its directors and executives to be key management personnel. The key management personnel compensation is comprised of the following:

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<b>(\$000s)</b>		
<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Salaries and employee benefits	706	838
Share-based compensation <sup>(1)</sup>	8	26
	714	864

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(1) Represents the amortization of share-based compensation expense associated with the company's share-based compensation plans granted to key management personnel.

## 19. FINANCE EXPENSE

<b>(\$000s)</b>		
<b>Year ended March 31</b>	<b>2021</b>	<b>2020</b>
Interest income	(1)	(4)
Accretion on decommissioning and restoration liability	19	34
Interest on lease liability	10	14
Interest on credit facility	881	1,232
	909	1,276

## 20. FINANCIAL RISK MANAGEMENT

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

The Board of Directors has overall responsibility for identifying the principal risks of the Company and ensuring the policies and procedures are in place to appropriately manage these risks. Bengal's management identifies, analyzes and monitors risks and considers the implication of the market condition in relation to the Company's activities.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Bengal's cash calls paid to joint venture partners and receivables from petroleum and natural gas marketers. As at March 31, 2021, Bengal's receivables consisted of \$1.2 million (March 31, 2020 - \$1.6 million) from joint venture partners (of which \$0.4 million has been collected subsequent to year end) and \$nil million (March 31, 2020 - \$0.01 million) of other receivables.

Bengal has a COSP Agreement with a purchaser and has not experienced any collection problems to date.

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

The Company had no accounts considered past due at March 31, 2021 (March 31, 2020 - \$nil). Past due is considered greater than 90 days outstanding.

The carrying amount of accounts receivable and cash and cash equivalents and fair value of financial instruments represents the maximum credit exposure. Bengal establishes an allowance for doubtful accounts as determined by management based on their assessment of collection. Bengal does not have an allowance for doubtful accounts as at March 31, 2021 and did not provide for any doubtful accounts, nor was it required to write-off any receivables during the year ended March 31, 2021 (March 31, 2020 - \$nil). Exposure to the carrying value of its financial instruments relates to the Company's commodity-based derivatives held by Westpac Banking Corporation. At March 31, 2021, there were no commodity-based derivatives outstanding.

Cash and cash equivalents, when held, consist of cash bank balances and guaranteed investment certificates redeemable at any time. Bengal manages the credit exposure related to guaranteed investments by selecting counterparties based on credit ratings and monitors all investments to ensure

a stable return, avoiding complex investment vehicles with higher risk such as asset-backed commercial paper.

**(b) Liquidity risk**

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

Bengal's financial liabilities consist of trade and other payables and lease liability and amounted to \$2.0 million at March 31, 2021 (March 31, 2020 - \$18.9 million).

At March 31, 2021, the Company had working capital of \$4.3 million, including cash and short-term deposits of \$4.5 million and restricted cash of \$0.04 million, compared to a working capital deficiency of \$14.4 million at March 31, 2020. The working capital deficiency at March 31, 2020 was primarily a result of the credit facility of \$17.7 million maturing in February 2021.

At March 31, 2020, the Company had significant capital spending commitments to be incurred by February 2021 on ATP 934P of \$12.3 million. During fiscal 2021, the Company received confirmation that the commitment on ATP 934 was reduced in exchange for a 50% relinquishment of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021. Current commitments are \$8.3 million over the next six years.

In February 2021, the Company raised \$16.54 million on the issuance of common shares and extinguished the credit facility. Management anticipates that operating and capital requirements will be met out of working capital and operating cash flows.

The majority of the Company's oil sales are benchmarked on US Brent prices. The Company incurs most of its expenditures in Australian dollars whereas the Company generates most of its revenues in US dollars. To mitigate the net impact of low crude prices, the Company is acting with its joint venture partners to reduce discretionary spending and focus capital towards lower risk projects with near-term cash flow upside.

**(c) Market risk**

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

**Foreign Currency Risk**

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Bengal receives US dollars for Australian oil sales and incurs expenditures in Australian and Canadian currencies. The Company may enter into derivative foreign currency contracts in order to manage foreign currency risk, but has not done so to date.

The table below shows the Company's exposure in Canadian dollar equivalent to foreign currencies for its financial instruments at March 31, 2021:

<b>(\$000s)</b>	<b>CAD\$</b>	<b>AUS\$</b>	<b>US\$</b>	<b>Total</b>
Cash and cash equivalents	3,973	14	544	4,531
Restricted cash	40	-	-	40
Trade and other receivables	18	1	1,205	1,224
Trade and other payables	(333)	(1,606)	-	(1,939)
Lease liability	(99)	-	-	(99)
	<b>3,599</b>	<b>(1,591)</b>	<b>1,749</b>	<b>3,757</b>

  

<b>Exchange rates as at March 31:</b>	<b>2021</b>	<b>2020</b>
Number of CAD\$ for 1 AUS\$	0.96	0.87
Number of CAD\$ for 1 US\$	1.26	1.42

### **Commodity Price Risk**

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

During the fiscal year, the Company recorded an unrealized loss of \$1.5 million on its derivative contracts. These contracts were settled in Q3 of the fiscal year resulting in a realized gain of \$1.0 million. At March 31, 2021, the Company had no derivative contracts outstanding and all unrealized gains booked through fiscal 2021 were effectively realized during the year.

### **Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk on its cash and cash equivalents at March 31, 2021 as the funds are not invested in interest-bearing instruments. The Company had no interest rate derivatives at March 31, 2021.

## **21. CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility which will allow it to execute on its capital investment program, provide creditor and market confidence and to sustain future development of the business. Following the February 2021 recapitalization transaction, the Company has materially realigned its capital structure eliminated all outstanding debt while adding \$4.0 million of working capital. This provides additional financial and capital flexibility further to the Company's strategy described above.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: changes in economic conditions, the risk profile of its drilling inventory, the efficiencies of past investments, the efficiencies of forecasted investments and the timing of such investments, the forecasted cash balances, the forecasted commodity prices and resulting cash flow.

In order to maintain or adjust the capital structure, the Company may from time to time issue shares (if available on reasonable terms), issue debt instruments, sell assets, farm out properties and adjust its capital spending to manage current and projected cash levels. There can be no assurance that equity financing will be available or sufficient to meet capital commitments, or for other corporate purposes, or if equity financing is available, that it will be on terms acceptable to the Company.

## 22. SUPPLEMENTAL CASH FLOW INFORMATION

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### Change in non-cash working capital items

(\$000s)

Year ended March 31	2021	2020
Trade and other receivables	415	1,333
Prepaid expenses and deposits	(319)	10
Trade and other payables	898	(1,533)
Effect of change in foreign exchange rates	80	(91)
	1,074	(281)

### Attributable to:

Operating	606	668
Investing	474	(947)
Financing	(6)	(2)
	1,074	(281)

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

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### Cash interest paid and received

(\$000s)

Year ended March 31	2021	2020
Cash interest paid	623	1,020
Cash interest received	1	4

## 23. COMMITMENTS

The Queensland Government regulatory authority granted the Company Authority to Prospect 934 ("ATP 934") under a revised work program on March 1, 2015. In Q4 fiscal 2018, the Company consolidated its ownership of ATP 934 and now holds a 100% operating interest in this permit. The purchase consideration was AUS\$0.3 million cash and potential future cash payments of up to AUS\$1.0 million, which is made up of a AUS\$0.2 million on certification by an independent competent person appointed by Bengal Energy (Australia) Pty Ltd. of not less than 25 billion cubic feet of proved reserves and AUS\$0.8 million due upon the delivery of the first shipments of gas to market. The work program consists of 260 km<sup>2</sup> of 3D seismic and up to three wells.

At March 31, 2021, the Company had the following capital work commitments:

Country and permit	Work program	Obligation period ending	Estimated expenditure (net) (millions CAD\$) <sup>(1)</sup>
Onshore Australia – ATP 934	260 km <sup>2</sup> 3D seismic and up to three wells	February 2027	8.3 <sup>(2)</sup>
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, 2021 at an exchange rate of AUS\$1.00 = CAD\$0.9578.

(2) During fiscal 2021, the Company received confirmation that the commitment on ATP 934 was reduced in exchange for a 50% relinquishment of the non-potential acreage of ATP 934 at the end of the first term expiry date of February 28, 2021. During Q2 fiscal 2021, the Company entered into a farm-in agreement with Santos whereby Santos will pay 100% of the well costs of a one well work program with an estimated cost of AUS\$2.7 million planned for the second half of calendar 2021. The \$8.3 million of estimated expenditures is net of the estimated carried cost of AUS\$2.7 million.

At March 31, 2021, the contractual obligations for which the Company is responsible are as follows:

(\$000s)					
Contractual obligations					
April 2021 to March 2054	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Office lease	278	97	181	-	-
Decommissioning and restoration	3,478	-	733	60	2,685
	3,756	97	914	60	2,685

## 24. SEGMENTED INFORMATION

As at March 31, 2021, the Company has two reportable operating segments being the Australian oil and gas operations and corporate.

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

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

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**(\$000s)**

**For the year ended March 31, 2021**

	<b>Australia</b>	<b>Corporate</b>	<b>Total</b>
Revenue	5,234	-	5,234
Interest revenue	-	1	1
Interest expense	881	10	891
Depletion and depreciation	1,285	48	1,333
Net income (loss)	4,737	(809)	3,928
Exploration and evaluation expenditures	61	-	61
Petroleum and natural gas property expenditures	1,193	-	1,193

**(\$000s)**

**As at March 31, 2021**

Exploration and evaluation assets	9,890	-	9,890
Petroleum and natural gas properties	28,015	-	28,015
Total assets	40,084	4,162	44,246
Total liabilities	5,084	432	5,516

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**(\$000s)**

**For the year ended March 31, 2020**

	<b>Australia</b>	<b>Corporate</b>	<b>Total</b>
Revenue	8,103	-	8,103
Interest revenue	3	1	4
Interest expense	1,232	14	1,246
Depletion and depreciation	1,343	54	1,397
Impairment	646	-	646
Net loss	(1,651)	(1,245)	(2,896)
Exploration and evaluation expenditures	22	-	22
Petroleum and natural gas property expenditures	2,013	-	2,013

**(\$000s)**

**As at March 31, 2020**

Exploration and evaluation assets	8,930	-	8,930
Petroleum and natural gas properties	26,095	-	26,095
Total assets	38,770	802	39,572
Total liabilities	22,224	406	22,630

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# 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  
Jerrad Blanchard

## 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  
Jerrad Blanchard, Chief Financial Officer  
Bruce Allford, Secretary

## STOCK EXCHANGE LISTING – TSX: BNG