



International Exploration & Production

## **Management's Discussion & Analysis**

**Three and Twelve Months Ended  
March 31, 2022 and 2021**

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, 2022.

This MD&A dated June 15, 2022 should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended March 31, 2022 and 2021. The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 and Other Financial Measures, abbreviations and forward-looking information relating to future events and the Company's future performance. Please refer to "Non-IFRS and Other Financial Measures", "Abbreviations" and "Advisories" sections at the end of this MD&A for further information. These do not have any standardized meaning in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting standards Board and therefore may not be comparable with the calculation of similar financial measures disclosed by other entities.

Additional information relating to Bengal, including Bengal's audited March 31, 2022 consolidated financial statements and other filings are available on SEDAR at [www.sedar.com](http://www.sedar.com).

In the following discussion, the three months ended March 31, 2022 may be referred to as "fourth quarter of fiscal 2022", "Q4 fiscal 2022", "Q4 FY 2022", "current quarter", and "the quarter". The comparative three months ended March 31, 2021, may be referred to as "fourth quarter of fiscal 2021", "Q4 fiscal 2021" "Q4 FY 2021", and "prior year's quarter". The year ended March 31, 2022, may be referred to as "fiscal 2022", "current year", and "the year". The comparative year ended March 31, 2021, may be referred to as "the previous year", "prior year", and "fiscal 2021".

## FOURTH QUARTER FISCAL 2022 SUMMARY

### Financial Summary:

- **Reserves** –Bengal's independently evaluated Proved Plus Probable ("2P") reserves for the fiscal year ended March 31, 2022 are 5,778 thousand barrels of oil ("Mbbls") and Proved ("1P") reserves are 2,145 Mbbls compared to 5,789 Mbbls and 2,163 Mbbls for 2P and 1P reserves respectively at March 31, 2021. The net present value (NPV<sub>10</sub>, before tax) of Bengal's 2P reserves, net of future development costs, at March 31, 2022 is \$149.0 million, or \$0.30 per share compared to \$87.6 million at March 31, 2021. The 2P after tax net asset value is \$115 million for the current year compared to \$69.2 million in the prior year.
- **Sales revenue** – Crude oil sales revenue was \$2.4 million in the fourth quarter of fiscal 2022, which is 50% higher than the \$1.6 million recorded in Q4 fiscal 2021. Full year fiscal 2022 sales revenue was \$7.7 million compared to \$5.2 million for the full year fiscal 2021.
- **Funds from (used in) operations**<sup>1</sup> – Bengal generated \$0.5 million of funds from operations during Q4 fiscal 2022 compared to a \$0.2 million funds used in operations during Q4 fiscal 2021. For the full year fiscal 2022, the Company generated \$1.4 million of funds from operations compared to \$0.3 million funds used in operations during the prior fiscal year.
- **Net income** – Bengal reported net income of \$0.2 million for the current quarter compared to net income of \$3.9 million in the fourth quarter of fiscal 2021. For the full year fiscal 2022, the Company reported a net loss of \$0.4 million compared net income of \$3.9 million in the prior year. Several non-operational items contributed to net income during the prior year that were absent in the current period, including \$3.7 million of foreign exchange gains and a \$3.5 million gain on the settlement of the Company's Credit Facility.
- **Private placement** – On March 7, 2022 the Company closed a private placement to issue 52.3 million shares for \$4.2 million of proceeds.

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<sup>1</sup> See "Non-IFRS and Other Financial Measures" on page 16 of this MD&A

## Operational Summary:

- **Production volumes** – The Company’s share of total production in the current quarter was 15,647 bbls of light crude oil, which is a 14% decline from the 18,222 bbls produced in the fourth quarter of fiscal 2021. The current quarter production averaged 174 bbls/day compared to 202 bbls/day produced in the fourth quarter of fiscal 2021. Full year fiscal 2022 saw total production of 66,797 bbls compared to 80,530 bbls for full year fiscal 2021. The full year fiscal 2022 production per day averaged 183 bbls compared to 221 bbls/day for the full year fiscal 2021.
- **Capital expenditures** – During the year, the Company commenced capital programs on two of its 100% owned and operated projects at Wareena (Petroleum Lease (“PL”) 1110 & Producing Pipeline (“PPL”) 138) and Caracal (Authority to Prospect (“ATP”) 732). Bengal incurred \$2.2 million in capital expenditures during Q4 fiscal 2022 as compared to \$0.5 million in Q4 fiscal 2021 and a total of \$4.3 million during the current year compared to \$1.2 million during fiscal 2021. Work in these projects is currently ongoing.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### 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, PL 303 Cuisinier, ATP 934 Barrolka, ATP 732 Tookoonooka, and four petroleum licenses acquired in calendar 2019 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 twelve years with one third of the original grant area expiring every four years. At the end of the final term of the ATP, and under certain conditions relative to exploration success, 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. PCA applications include a commercial viability report that indicates that the area is likely to be commercially viable within the applied term. This allows for extra time to commercialize the resource. These PCA’s remain a part of the ATP until expiry. If a discovery of oil or gas is made, an application for a PL 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, PCA 207 Barta West and PCA 155 Wompi block-Nubba/Yilgarn. Bengal also holds four PLs (PL 114 Wareena, PL 157 Ghina, PL 188 Ramses, PL 411 Karnak) including a pipeline license PPL 138 adjacent to ATP 934.

### AUSTRALIA – Cooper Basin, Queensland

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

A pilot reservoir pressure maintenance scheme was initiated during the prior fiscal year and after resolving mechanical issues, water injection activities resumed during calendar Q4 2021. The location of this pilot is in the southeast quadrant of the Cuisinier pool, with injection of water taking 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 both increase production in up to four offsetting wells and reduce water handling charges. The Cuisinier water injection pilot has continued to face a range of surface facility-related operational issues resulting in downtimes, which have not allowed the significant subsurface success potential of this pilot to be realized as yet. Bengal Energy personnel are now working with the Operator’s Onshore Operations and Development Leadership to work collaboratively towards rectifying the surface facility design challenges.

Upon establishing success of the pilot, the Joint Venture (“JV”) expects to begin a multi-phase water injection scheme, targeted fracture stimulation and more commercially efficient development drilling. Since inception of the pilot, 33,500 barrels of water have been injected into the C24 well at an average rate of approximately 275 barrels of water per day over 115 operating days since December 2021. Currently, the water injection rate into

C24 is approximately 300 bpd at a wellhead pressure of 9,600 Kilopascal. Nearby wells are being monitored for total fluid produced and water cut to help to determine which wells are being affected by the pilot program.

In December 2021, Bengal participated in the Chef exploration drilling project. Following a review of the well logs, the ATP 752 JV parties have decided to plug and abandon the well. This exploration well is located outside of the producing Cuisinier field PL 303, in a location 4 km to the northeast with primary targets in the Jurassic Birkhead Formation and Hutton Sandstone, and secondary targets within the Triassic Nappamerri Group. The well encountered multiple oil shows in the primary and secondary targets; however, no commercial pay was identified at this location. While not a commercial success, the identified oil shows may support continued exploration targeting both the Jurassic Birkhead and newly discovered oil-bearing Triassic Nappamerri formations.

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

The Company acquired a 100% working interest in four PLs and a natural gas pipeline connected to transportation infrastructure into the Eastern Australia Gas Market (collectively, the "Assets"). These non-productive PLs are highly compatible with and in close proximity to ATP 934. 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.

Included in this program is the reinstatement of two gas wells (Wareena-1 and Wareena-5) and an existing gas pipeline to produce raw gas into existing infrastructure. Planning and execution of the project continued through Q4 fiscal 2022 including performing a deeper zone water shut off on Wareena-5. Negotiations regarding natural gas processing and sales are ongoing with Santos as the owner of the processing infrastructure. The company is evaluating various options for commercialization for expected natural gas production, including connection through existing processing infrastructure and an innovative proof of concept for alternative monetization.

The 100% ownership of the acquired 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 steppingstone for Bengal's natural gas platform upon which future exploration growth through ATP 934 can be undertaken.

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

The Company has conducted preliminary workover and stimulation program at the Caracal-1 well, a 53 API oil discovery in the Wyandra zone. The well produced oil to surface, although at lower than expected rates and is currently being assessed to determine capacity for commercial production. This would allow the Company to progress towards a PL or PCA on the block.

In June 2019, the Company applied for an amendment to the LWP ("Later Work Program") 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 \$0.05 million and geological and geophysical investigation at an estimated cost of \$0.05 million during the four-year term.

#### **ATP 934 Durham Downs East Farmout Block (40% WI)**

Bengal entered into an agreement with Santos in July of 2020 to farm-in on a portion of the ATP 934 block. Santos carried the drilling costs of one well to earn a 60% operated interest in the ATP 934 southern farm-out block, which represents 57.8% of the total block acreage post April 2020 relinquishment. On October 14, 2021, Santos completed the drilling of the Legbar-1 exploration well. Santos paid 100% of the costs to drill, plug and abandon the well and has accordingly earned a 60% working interest in 103,760 km<sup>2</sup> gross exploration land.

While the Legbar-1 Well did not indicate commercial quantities of hydrocarbons, thick, high quality reservoir sands were encountered in the primary Permian Toolachee formation and in the Jurassic Birkhead zone, with evidence of residual hydrocarbon saturation in both zones. In addition, fluorescence shows and elevated gas readings through the Jurassic Birkhead Fm/Top Hutton Sandstone indicate oil has passed through the reservoir, supporting the search for a valid closure to test this play. The findings from the Legbar-1 well will help Bengal refine its exploration targets going forward, both with Santos in the Santos Farm-out Block, and across the balance of ATP 934 which is 100% owned by Bengal.

#### **Business Development**

The Company is in discussions with potential industry and financial partners to fund some of these oil and gas related activities.

## OPERATING SUMMARY

(\$000s except per share, %, volumes and operating netback amounts)	Three months ended		Twelve months ended	
	March 31		March 31	
	2022	2021	2022	2021
Oil revenue	\$ 2,374	\$ 1,601	\$ 7,650	\$ 4,822
Operating netback <sup>(1)</sup>	\$ 1,425	\$ 670	\$ 4,109	\$ 2,754
Cash from operations	\$ 437	\$ 70	\$ 835	\$ 301
Funds from (used in) operations <sup>(1)</sup>	\$ 515	\$ (158)	\$ 1,432	\$ (305)
Per share (\$) (basic and diluted)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net income (loss)	\$ 217	\$ 3,040	\$ (374)	\$ 3,928
Per share (\$) (basic and diluted)	\$ 0.00	\$ 0.01	\$ (0.00)	\$ 0.03
Capital expenditures	\$ 2,244	\$ 533	\$ 4,322	\$ 1,254
Oil volumes (bbl/d)	174	202	183	221
Operating netback <sup>(1)</sup> (\$/bbl)	\$ 91.06	\$ 36.67	\$ 61.52	\$ 34.20

(1) Non-IFRS and Other Financial Measures

## RESULTS OF OPERATIONS

### Production

	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Oil production (bbls/d)	174	202	183	221
Oil production (bbls)	15,647	18,222	66,797	80,530

Production during Q4 fiscal 2022 decreased 14% compared the Q4 fiscal 2021 and total current fiscal year production decreased 17% compared to the fiscal 2021. These decreases represent natural production declines at the Cuisinier field. During fiscal 2022, the only capital activity incurred in the field related to the water injection pilot program, which is currently injecting water at a rate of 300 bbls per day. To date there is insufficient data to determine the impact of water injection on the reservoir and oil production.

### 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		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
<b>Oil lifting</b>				
Volume (000s bbls)	14.0	17.0	67.3	85.7
Weighted average price (\$US/bbl)	107.36	63.88	83.66	43.26
<b>A. Sales (CDN \$000's)</b>	<b>1,864</b>	<b>1,390</b>	<b>7,131</b>	<b>5,028</b>
<b>Pipeline oil</b>				
Volume (000s bbls), change	1.6	1.2	(0.5)	(4.7)
Price (\$US/bbl), change	30.20	9.90	50.63	(39.56)
<b>B. Net sales (CDN \$000's)</b>	<b>510</b>	<b>211</b>	<b>519</b>	<b>206</b>
<b>A.+B. Total oil sales (CDN \$000s)</b>	<b>2,374</b>	<b>1,601</b>	<b>7,650</b>	<b>5,234</b>

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.

Realized crude oil prices during the current quarter increased by 68% compared to the previous year's quarter based on increased benchmark Brent pricing. The realized weighted average price of oil lifting sales was US \$107.36/bbl for the current quarter compared to US \$63.88/bbl during Q4 fiscal 2021. This increase in pricing was partially offset by a 14% decrease in production.

During the current quarter, the higher pipeline oil amount was due to both an increase in price of US \$30.20/bbl and a 400 bbl volume increase. After adjusting for changes in pipeline oil, sales for the current quarter are \$1.9 million, which is a 34% increase from the \$1.4 million recorded during the prior year's quarter.

The following table outlines average benchmark prices:

	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Brent oil (\$/bbl)	127.38	77.85	100.69	58.99
Brent oil (US\$/bbl)	100.30	60.82	80.55	44.35
Number of CAD\$ for 1 AUS\$	0.92	0.99	0.93	0.95
Number of CAD\$ for 1 US\$	1.27	1.28	1.25	1.33

**(\$000s)**

**Operating netbacks<sup>(1)</sup>**

	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Oil sales	2,374	1,601	7,650	5,234
Realized gain on financial instruments	-	-	-	1,033
Royalties	(142)	(96)	(459)	(314)
Operating expenses	(807)	(835)	(3,082)	(3,199)
Operating netback	1,425	670	4,109	2,754

**(\$/bbl)**

Oil sales	151.72	87.86	114.53	64.99
Realized gain on financial instruments	-	-	-	12.83
Royalties	(9.08)	(5.27)	(6.87)	(3.90)
Operating expenses	(51.58)	(45.92)	(46.14)	(39.72)
Operating netback	91.06	36.67	61.52	34.20

(2) See Non-IFRS and Other Financial Measures

In Q4 fiscal 2022, operating netbacks were \$1.4 million or \$91.06/bbl compared to Q4 fiscal 2021 at \$0.7 million or \$36.67/bbl. The primary reason for the 113% increase in operating netbacks is improved realized pricing on crude oil sales, which more than offset production declines. For the full year fiscal 2022, operating netbacks were \$4.1 million or \$61.52/bbl compared to \$2.8 million or \$34.20/bbl in the prior fiscal year also due to higher realized crude oil sales prices.

## Royalties

Royalties	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Royalty expense (\$000s)	142	96	459	314
\$/bbl	9.08	5.27	6.87	3.90
% of revenue	6	6	6	6

In Queensland Australia, oil royalties are based on a government-established rate which scales according to benchmark oil prices plus a Native Title royalty of 1%.

Royalty rates approximate 6% of oil sales for Q4 fiscal 2022 consistent with Q4 fiscal 2021 and for fiscal 2022 compared with fiscal 2021.

## Operating Expenses

(\$000s) Operating expenses	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Production	303	214	940	568
Transportation	504	621	2,142	2,631
	807	835	3,082	3,199
Production - \$/bbl	19.36	11.74	14.07	7.05
Transportation - \$/bbl	32.22	34.08	32.07	32.67
	51.58	45.82	46.14	39.72

Operating expenses for the three months ended March 31, 2022, were 13% higher than the previous year's fiscal Q4 on a per barrel basis. For the entire fiscal year, operating expenses per barrel were 16% higher than the prior year, while total expense decreased with production. Production costs during Q4 2022 were impacted by approximately \$0.1 million of one-time maintenance operations associated with water injection pilot as well as industry wide inflationary pressures. Transportation costs decreased during the current quarter as a result of reduced water handling associated with water recycled into the water injection pilot.

## General and Administrative (G&A) Expenses

(\$000s) G&A	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Net G&A expenses	892	843	2,652	2,334
Capitalized G&A expenses	35	-	168	7
Total G&A expenses	927	843	2,820	2,341

Total G&A expenses in the fourth quarter fiscal 2022 were 10% higher than fiscal Q4 2021. The full year fiscal 2022 G&A expenses were 20% higher than the prior year. During the prior fiscal year, the Company benefited from the Canadian federal government's emergency wages and emergency rent subsidy programs associated with the COVID-19 Pandemic. Effective September 2021, Bengal was no longer eligible for these subsidies

resulting in approximately \$0.1 million and \$0.5 million of incremental G&A for the fiscal quarter and year ended March 31, 2022 respectively.

### Share-based Compensation (“SBC”)

(\$000s) SBC	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Expensed share-based compensation	37	3	135	9
Capitalized share-based compensation	5	-	10	-
	42	3	145	9

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. Share-based compensation expense is higher in fiscal 2022 due to the value of options granted in March of 2021 that were recognized during this financial year. At March 31, 2022, there were 12,445,000 outstanding options.

### Depletion, Depreciation and Amortization (DD&A)

(\$000s) DD&A	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Petroleum and natural gas properties	242	293	1,033	1,285
Other assets	1	1	4	6
Right-of-use assets	8	7	30	42
	251	301	1,067	1,333
DD&A - \$/bbl	15.47	16.08	15.46	15.96

The Company’s proved plus probable (2P) reserve volumes at March 31, 2022, decreased by approximately 11,000 bbls compared to March 31, 2021. In addition, future capital costs to develop 2P reserves at March 31, 2022, were \$61.5 million compared to \$60.9 million at March 31, 2021.

Depletion expense is incurred in Australian dollars and therefore impacted by fluctuations in the foreign exchange rates between Canadian and Australian dollars. Strengthening of the Canadian dollar against the Australian dollar resulted in lower depletion per barrel for both the year and quarter ended March 31, 2022.

Production for full year fiscal 2022 was 66,797 bbls compared to 80,530 bbls for the previous year contributing to a lower total depletion for fiscal 2022.

### Impairment

(\$000s) Impairment expense	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Exploration and evaluation assets	-	-	568	-
Petroleum and natural gas properties	-	-	-	-
	-	-	568	-

As at March 31, 2022, the Company concluded that there were no triggers for impairment on its E&E assets. During Q3 Fiscal 2022, the Company recorded \$0.6 million of impairment associated with uneconomic drilling results at the Chef-1 location in the ATP 752 block.

## Finance Expense

(\$000s)				
Finance expense	Three months ended		Twelve months ended	
	March 31		March 31	
	2022	2021	2022	2021
Interest income	(7)	(1)	(7)	(1)
Accretion expense on decommissioning and restoration liability	15	5	38	19
Interest on lease liability	1	2	5	10
Interest – other	4	-	9	-
Interest on credit facility	-	136	-	881
	13	142	45	909

The Company had no outstanding credit facilities during fiscal 2022, therefore there was no corresponding interest expense.

## CAPITAL EXPENDITURES

(\$000s)				
Capital expenditures	Three months ended		Twelve months ended	
	March 31		March 31	
	2022	2021	2022	2021
Geological and geophysical and workover	2,130	63	3,489	196
Drilling	16	1	591	13
Completions	(4)	158	240	1,014
Acquisition	-	311	-	31
Office	2	-	2	-
	2,144	533	4,322	1,254
Exploration and evaluation expenditures	588	61	1,231	61
Development and production expenditures	1,554	472	3,089	1,193
Office	2	-	2	-
	2,144	533	4,322	1,254

During the quarter ended March 31, 2022, the Company incurred \$0.6 million of exploration and evaluation expenditures associated with ongoing operations on the Caracal-1 well at ATP 732 to stimulate with the objective of delivering oil to surface and allowing for a Petroleum Lease application. The minimal exploration expenditures incurred during Q4 fiscal 2021 related to prospect interpretation. The \$1.6 million of development expenditures incurred in the current fiscal quarter and the \$3.1 million incurred during the fiscal year relate primarily to the workover operations around the Wareena-1 and Wareena-5 wells and the associated Wareena pipeline, which is currently ongoing. The objective of these workovers is to restore production to these previously producing wells. During Q4 fiscal 2021 and for the entire year of fiscal 2021, the \$0.5 million and \$1.2 million respectively of development expenditures related primarily to the Cuisinier water injection pilot. For the fiscal year ended March 31, 2022 \$1.2 million of exploration and evaluation expenditures relate to operations at Caracal-1 and exploration wells drilled in ATP 752 (Chef-1) and ATP 934 (Legbar-1), compared to \$0.1 million of expenditures in the previous year relating to processing and interpretation of geological prospects.

## SHARE CAPITAL

Trading history	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
High (\$)	0.12	0.10	0.14	0.14
Low (\$)	0.06	0.03	0.06	0.02
Close (\$)	0.12	0.08	0.12	0.08
Volume (000s)	2,962	8,472	11,255	17,864
Shares outstanding (000s)	485,305	432,987	485,305	432,987
Weighted average shares outstanding (000s) - basic and diluted	446,938	227,205	436,427	133,073

At June 15, 2022, there were 485,304,515 common shares issued and outstanding, together with 12,445,000 outstanding options. On March 7, 2022 the Company closed a private placement to issue 52.3 million shares for \$4.2 million of proceeds.

On February 26, 2021, Bengal issued 330,720,000 common shares as part of a private placement transaction with Texada Capital Management Ltd. ("Texada"), which is controlled by Bill Wheeler, who is a director of the Company. As part of another private placement transaction, on March 7, 2022, the Company issued 52,317,521 common shares, of which 41,067,871 were acquired by Texada. Following these transactions, Texada controls approximately 82% of the Company's outstanding shares.

## 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 and lease liability and amounted to \$3.2 million at March 31, 2022 (March 31, 2021 - \$2.0 million).

At March 31, 2022, the Company had working capital<sup>2</sup> of \$5.5 million, including cash and short-term deposits of \$5.4 million, compared to working capital<sup>2</sup> of \$4.3 million at March 31, 2021. Working capital<sup>2</sup> is calculated as current assets less current liabilities but excludes other obligations and current portion of decommissioning obligations.

On March 7, 2022 the Company closed a private placement to issue 52.3 million shares for \$4.2 million of proceeds.

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.

## 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% and 40% operating interest in the northern and southern block of this 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

<sup>2</sup> See "Non-IFRS and Other Financial Measures " on page 15 of this MD&A.

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, 2022, 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, 2022 at an exchange rate of AUS\$1.00 = CAD\$0.9366.

(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.

At March 31, 2022, the contractual obligations for which the Company is responsible are as follows:

(\$000s)					
Contractual obligations April 2022 to March 2059	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Office lease	182	103	79	-	-
Decommissioning and restoration	3,379	-	798	-	2,581
	3,561	103	877	-	2,581

## OFF BALANCE SHEET TRANSACTIONS

The Company does not have any off balance sheet transactions.

## SELECTED QUARTERLY INFORMATION

	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	June 30 2020
Fiscal quarter (\$000s)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Oil sales	2,374	1,845	1,884	1,547	1,601	1,274	1,260	1,099
Cash flows from (used in) operations	437	607	565	(774)	70	62	(166)	335
Funds from (used in) operations <sup>(1)</sup>	515	381	417	119	(158)	130	(67)	(210)
Per share – basic and diluted (\$)	0.00	0.00	0.00	0.00	(0.00)	0.00	(0.00)	(0.00)
Net income (loss)	217	(494)	85	(182)	3,040	670	(182)	400
Per share – basic and diluted (\$)	0.00	(0.00)	0.00	(0.00)	0.01	0.01	(0.00)	0.00
Capital expenditures	2,074	1,392	649	137	533	498	124	99
Working capital (deficiency) <sup>(1)</sup>	5,548	2,943	3,961	4,218	4,270	(15,068)	(15,129)	(14,908)
Total assets	48,500	42,835	42,321	42,429	44,246	41,914	41,138	41,097
Shares outstanding (000s)	485,305	432,987	432,987	432,987	432,987	102,267	102,267	102,267
Operations:								
Oil volumes (bbls/d)	174	183	199	176	202	211	231	238
Operating netback <sup>(1)</sup> (\$/bbl)	91.06	64.58	51.08	41.30	36.67	42.37	27.15	31.60

(1) See "Non-IFRS and Other Financial Measures " on page 15 of this MD&A.

Production has been declining over the past eight quarters due to natural reservoir declines in the Cuisinier oil field, with the exception of Q2 fiscal 2022, which benefited from incremental production from two wells offline for work-over activity in Q1 fiscal 2022. Ongoing volatility with a generally increasing trend in US Brent prices during the past eight quarters resulted in a trend towards increased oil sales and operating netbacks despite natural declines in production rates. Cash flow from operations in Q1 fiscal 2021 benefited from recovery of joint venture audit findings (note that subsequent audits have been delayed due to COVID 19 restrictions), followed by a use of cash in Q2 fiscal 2021 due to low commodity prices. Rising commodity pricing increased cash flow from operations with the exception of Q1 fiscal 2022 when revenue and cash flow were significantly impacted by low commodity prices. Over the years, net (losses)/income have been affected by fluctuations in foreign exchange, hedging gains and losses and capital development. Net income from Q4 fiscal 2020 through Q4 fiscal 2021 was materially impacted by the impact of US/CAD exchange rates to the Company's US dollar Westpac Credit facility as well as the impact of gains and losses on derivative financial instruments. After the repayment of debt and cancellation of all derivative instruments in Q4 fiscal 2021, net income is less subject to foreign exchange and commodity price volatility. Working capital<sup>3</sup> deficiency occurred during the periods from Q1 fiscal 2021 to Q3 fiscal 2021 due to the reclassification of the Company's debt from long term to current due to the delay in negotiating an extension to the maturity date.

## **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, 2022 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

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<sup>3</sup> See "Non-IFRS and Other Financial Measures " on page 15 of this MD&A.

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, which are reviewed on an ongoing basis. Significant estimates and judgments made by management in the preparation of these financial statements are outlined 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**

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 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**

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").

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 cash generating unit ("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 fair value of the assets less the cost to sell ("FVLCS") or value in use ("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 general 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 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, forecasted oil and gas commodity prices, all of which are subject to significant judgment and interpretation. Additionally, the Reserve estimation includes future development costs, which represent the Company's best estimate of the nature cost and timing development activities expected in the future and required to access identified reserves. These future capital estimates include significant judgements and uncertainty.

### **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<sup>4</sup> 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.

## **NON-IFRS AND OTHER FINANCIAL MEASURES**

### **Non-IFRS Financial Measures**

Within this MD&A, references are made to terms commonly used in the oil and gas industry. Operating netback, operating netback per barrel, funds from operations, funds from 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. 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.

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<sup>4</sup> See "Non-IFRS and Other Financial Measures " on page 15 of this MD&A.

### *Operating Netback*

Bengal utilizes operating netback as key performance indicator and is utilized by Bengal to better analyze the operating performance of its petroleum and natural gas assets against prior periods. Operating netback is calculated oil sales deducting royalties and operating expenses. The following table reconciles petroleum and natural gas revenue to netback:

(\$000s)	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Operating netbacks				
Oil sales	2,374	1,601	7,650	5,234
Realized gain on financial instruments	-	-	-	1,033
Royalties	(142)	(96)	(459)	(314)
Operating expenses	(807)	(835)	(3,082)	(3,199)
Operating netback	1,425	670	4,109	2,754

### *Funds from operations*

Management utilized funds from operations a measure to assess the Company's ability to generate cash not subject to short-term movements in non-cash operating working capital. Funds from operations is calculated by adding back all non-cash expense deductions to the net loss for the quarter and year. The following table reconciles cash from operations to funds from (used in) operations, which is used in this MD&A:

(\$000s)	Three months ended		Twelve months ended	
	2022	March 31 2021	2022	March 31 2021
Cash from operating activities	437	70	835	301
Changes in non-cash working capital	78	(228)	597	(606)
Funds from (used in) operations	515	(158)	1,432	(305)

### **Capital Management measures**

#### *Working capital*

Bengal uses working capital to monitor its capital structure, liquidity and its ability to fund current operations. Working capital is calculated as current assets less current liabilities but excludes other obligations and current portion of decommissioning obligations.

### **Non-IFRS Financial Ratios**

Bengal uses operating netback per boe to assess the Company's operating performance on a per unit of production basis. Operating netback per barrel equals operating netback divided by the applicable number of barrels.

Operating netbacks per barrel	Three months ended		Twelve months ended	
	March 31		March 31	
	2022	2021	2022	2021
(\$/bbl)				
Oil sales	151.72	87.86	114.53	64.99
Realized gain on financial instruments	-	-	-	12.83
Royalties	(9.08)	(5.27)	(6.87)	(3.90)
Operating expenses	(51.58)	(45.92)	(46.14)	(39.72)
Operating netback	91.06	36.67	61.52	34.20

Bengal uses funds from operations per share to assess the ability of the Company to generate the funds necessary for financing, operating, and capital activities on a per-share basis. This is a non-IFRS measure calculated by dividing funds from operations by weighted average basic and diluted shares outstanding for the periods disclosed.

## ABBREVIATIONS

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

bbbl	-	barrel
bbls	-	barrels
bbls/d	-	barrels per day
bopd	-	barrels of oil per day
\$/bbl	-	dollars per barrel
ft <sup>3</sup>	-	cubic feet
FY	-	fiscal year
K	-	thousand
km	-	kilometres
km <sup>2</sup>	-	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
WI	-	working interest

## 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.

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.

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**

The COVID-19 pandemic has resulted in emergency actions taken by governments worldwide, which has had an effect on the Company. The actions taken by these governments have typically included, but is not limited to travel bans, mandatory and self-imposed quarantines and isolations, social distancing, and the closing of non-essential businesses. Additionally, such actions have resulted in volatility and disruptions in regular business operations, supply chains and financial markets.

The full extent of the risks surrounding the COVID-19 pandemic is continually evolving. The following risks disclosed in our Annual Information Form for the year ended March 31, 2022 may be exacerbated as a result of the COVID-19 pandemic: market risks related to the volatility of oil and gas prices, volatility of foreign exchange rates, volatility of the market price of common shares, and hedging arrangements; operational risks related to increasing operating costs or declines in production levels, operator performance and payment delays, government regulations, ability to obtain additional financing, and variations in foreign exchange rates; and other risks related to cyber-security as our workforce moves to remote connections, accounting adjustments, effectiveness of internal controls, and reliance on key personnel, management, and labour.

### **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 in recent years due to the impact of the COVID-19 global pandemic and recent geo-political matters. 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.

### **Changing Regulation**

Emission, carbon and other regulations impacting climate and climate related matter are dynamic and constantly evolving. With respect to environmental, social and governance (“ESG”) and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified by the Corporation.

### **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](http://www.sedar.com). Information can also be obtained by contacting the Company at Bengal Energy Ltd., Suite 1110, 715 5<sup>th</sup> Avenue SW., Calgary, Alberta T2P 2X6, by email to [info@bengalenergy.ca](mailto:info@bengalenergy.ca) or by accessing Bengal’s website at [www.bengalenergy.ca](http://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;
- The size of the oil and natural gas reserves;
- The adverse impacts on the Company as a result of the current challenging economic climate;
- Bengal's drilling program and waterflood pilot;
- The belief that the Cooper Basin assets offer attractive upside potential for oil and gas;
- Timing and re-assessment of restarting the planning and drilling selection for the 2022 multi-well development and appraisal drilling campaign:
- The timing of the planned injection of produced formation water on the Barta Block PL 303 and the anticipated resulting production increases, future waterflood expansion phases, and reduced operating costs;
- The timing of equipping for production cased wells;
- The continued engagement in early-stage discussions with third parties with respect to potential business combination transactions;
- The continued integration of subsurface data from production licenses in the selection of exploration and appraisal drilling locations;
- The future development prospects generated by the initial development activities at PL 1110 (previously 114) Wareena, PL 1109 (previously 157) Ghina, PL 188 Ramses, PL 411 Karnak, PPL 138 pipeline;
- 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;
- 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; and
- That 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 2022 and capital program.

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:

- The continuing adverse impact of COVID-19 on economic activity and demand for oil and natural gas;
- Uncertainties associated with the COVID-19 pandemic;
- Fluctuations in commodity prices, foreign exchange or interest rates;
- 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](http://www.sedar.com)) and at Bengal's website ([www.bengalenergy.ca](http://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, 2022 (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.*

*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 area 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.*

### **Test Rates**

*References in this MD&A to production test rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or ultimate recovery. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. A pressure transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the Company cautions that the test results are historical and not indicative of expected production.*

### **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

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## 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  
James B. Howe  
Peter Lansom  
Dr. Brian J. Moss  
Robert D. Steele (Chairman)  
W. B. (Bill) Wheeler

## DISCLOSURE COMMITTEE

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Jerrad Blanchard

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Robert D. Steele

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Dr. Brian J. Moss

## 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