Bengal Energy Ltd.

International exploration & production

Management's Discussion & Analysis

Three and Six Months Ended September 30, 2023 and 2022

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 six months ended September 30, 2023.

This MD&A dated November 9, 2023, should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended September 30, 2023. The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* ("IAS 34").

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

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

Additional information relating to Bengal, including Bengal's audited March 31, 2023, consolidated financial statements and other filings are available on SEDAR at www.sedar.com.

In the following discussion, the three months ended September 30, 2023, may be referred to as "second quarter of fiscal 2024", "Q2 fiscal 2024", "current quarter", and "the quarter". The comparative three months ended September 30, 2023, may be referred to as "second quarter of fiscal 2023", "Q2 fiscal 2023", and "prior year's quarter".

SECOND QUARTER FISCAL 2024 SUMMARY

Financial summary:

- **Sales revenue** – Crude oil sales revenue was $1.9 million in the second quarter of fiscal 2024, which is 9% lower than the $2.1 million recorded in Q2 fiscal 2023. The lower sales revenue is directly due to the decrease in Brent reference price of 22% to US$86.66/bbl in Q2 fiscal 2024 compared to US$100.71/bbl in Q2 fiscal 2023.
- **Funds from operations[1] –** Funds from operations was $0.1 million during Q2 fiscal 2024 compared to $1.8 million in Q2 fiscal 2023. Q2 fiscal 2023 included other income of $1.1 million related to historical crude oil pricing adjustments.
- **Net income (loss)** – Bengal reported a net loss of $0.2 million for the current quarter compared to net income of $1.5 million in Q2 fiscal 2023, directly impacted by the other income noted above and the decrease in realized oil price, lowering sales revenues by $0.2 million.

Operational summary:

- **Production volumes** – The Company's share of total Cuisinier production in the current quarter was 16,175 bbls, consistent with production of 15,996 bbls in the second quarter of fiscal 2023, average of 176 bbls/d and 174 bbls/d, respectively. During the current quarter, the Cuisinier C28, C20 and C14 wells were intermittently offline in September resulting in approximately 21 bbl/d of deferred production.
- **Capital expenditures** – There was limited capital activity during the current quarter compared to Q2 fiscal 2023 when the Company was actively working on its development projects at Wareena 1 and Wareena 5 and completed activities at Caracal-1. Due to weather delays and the availability of equipment and field staff, and capital constraints, Bengal has delayed its Wareena testing program.

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,

[1] See "Non-IFRS and Other Financial Measures" on page 11 of this MD&A

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

Under the State of Queensland Regulatory process, ATPs (Authority to Prospect) 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, 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 PCAs 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 a 100% basis four PLs including a producing pipeline license 138 (“PPL 138”) adjacent to the 100% owned ATP 934.

AUSTRALIA – Cooper Basin, Queensland

PL 303 Barta Block Cuisinier (controlling permit ATP 752) (30.357% WI)

The Company continues to evaluate the results of its pilot water injection program at Cuisinier. The injection of produced formation water is anticipated to both increase production in up to four offsetting wells and reduce water handling charges. On establishing success of the pilot, the Joint Venture (“JV”) will begin a multi-staged water injection scheme, targeted fracture stimulation and more commercially efficient development drilling. Whilst the JV has observed compelling evidence that the overall field decline has been temporarily arrested with a modest upward trend in oil production rate during the previous quarters, the pilot has suffered from extended shut-in periods due to equipment failure and is waiting on replacement parts. The WI pilot is expected to be operational again from late Q3 fiscal 2024 onwards.

Bengal’s joint venture partner and operator of the Cuisinier pool drilled four wells in the Cuisinier field during calendar 2023. The Company did not participate in this program based on its internal economic hurdles and given that the operator has not prepared a suitable field development plan including the water injection pilot and subsequent expansion, and the operator’s projected capital and operating costs make such investment less attractive to Bengal than alternatives available in Bengal’s inventory.

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

The Company has a 100% working interest in four PLs and a natural gas pipeline connected to transportation infrastructure into the Eastern Australia Gas Market. These non-productive PLs are highly compatible 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 and an existing gas pipeline to produce raw gas into existing infrastructure at PL 114 Wareena. The Company completed workover activities at Wareena 1 and Wareena 5 in November 2022. Initial test results indicate Wareena 1 would require additional stimulation and dewatering to yield commercial production rates. The Company is encouraged by wellhead pressure measured at Wareena 5 and therefore additional testing justified. If this testing yields commercial rates, Bengal will tie-in the producing well to pipeline PPL 138.

The 100% ownership of these assets presents an appraisal and development opportunity that will be operated by the Company and is seen as a key steppingstone for Bengal’s natural gas platform upon which future development and appraisal work at the existing PLs and exploration growth through ATP 934 can be undertaken.

ATP 732 Tookoonooka (100% WI; now Potential Commercial Area 332)

Bengal conducted an acid treatment in 2022 on the Caracal-1 well to improve well bore inflow with positive results and moderate inflow of very light 53-degree gravity oil from the Wyandra zone. While not immediately commercially viable, these results are being evaluated with the possibility of fracture stimulation to further enhance productivity being put in place. Following fracture stimulation, the well could commence production using the Company’s Early Oil Production System with the addition of storage and load-out infrastructure. The well is currently suspended with shut-in pressure data being monitored.

ATP 732 reached the end of its term in March of 2023 and the Company lodged an application over the northern portion of the ATP for continuation in the form of PCA 332 for a further 15 years. Based on the positive results from Caracal-1, the application was approved on January 30, 2023. In addition, the Company is assessing farm-in interest on other 3D defined drilling targets on PCA 332. The PCA, granted by the Queensland Government in record time, provides much-needed certainty for Bengal to focus on its hydrocarbon projects in the Talgeberry-Tintaburra corridor. The majority of PCA 332 is covered by 3D seismic which has outlined the prospective targets as described in the Company’s press release: “Bengal Energy Announces Independent Oil and Natural Gas Resource Report” dated March 30, 2022.

ATP 934 Barrolka East (100% WI)

ATP 934 is the Company’s 100% owned natural gas exploration block. Bengal received approval of a special amendment for ATP 934 in March 2021 which relinquished 50% of the existing ATP area and extended the term of the ATP by entering an outcome based LWP for another 6 years to February 28, 2027. As part of the special amendment, another relinquishment of 118 sub blocks (50% of the remaining sub blocks) (88,972 acres) was required by February 28, 2023. The relinquishment was accepted by the regulator during April of 2023.The relinquished area was not considered to be prospective by the Company due to the lack of identified prospects and limited physical access. The LWP includes the drilling of up to 3 wells and 260 km^2 of 3D seismic.

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^2 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.

OPERATING SUMMARY

($000s except per share, %, volumes and operating netback[(1)] amounts)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Oil sales	$ 1,937	$ 2,135	$ 3,609	$ 4,598
Operating netback[(1)]	$ 962	$ 1,244	$ 1,792	$ 2,721
Cashflow (used in) from operations	$ (643)	$ 1,053	$ (745)	$ 2,070
Funds from operations[(1)]	$ 123	$ 1,774	$ 115	$ 2,456
Per share ($) (basic and diluted)	$ 0.00	$ 0.00	$ 0.00	$ 0.01
Net (loss) income	$ (213)	$ 1,471	$ (577)	$ 1,863
Per share ($) (basic and diluted)	$ (0.00)	$ 0.00	$ (0.00)	$ 0.00
Capital expenditures	$ 115	$ 3,530	$ 328	$ 5,604
Oil production (bbl/d)	176	174	176	179
Operating netback[(1)] ($/bbl)	$ 59.48	$ 77.77	$ 55.60	$ 83.07

(1) Non-IFRS and Other Financial Measures

RESULTS OF OPERATIONS

Production	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Oil production (bbl/d)	176	174	176	179
Oil production (bbl)	16,175	15,996	32,233	32,753

Revenue/Pricing

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

		Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Oil lifting					
Volume (000s bbls)		17.6	16.0	35.1	31.6
Weighted average price ($US/bbl)		82.01	100.48	80.82	108.43
Sales ($000s)	**A**	2,022	2,323	3,871	4,291
Pipeline oil					
Volume (000s bbls)		(1.4)	(0.1)	(2.8)	1.1
Weighted average price ($US/bbl)		11.05	(12.66)	8.40	25.25
Sales ($000s)	**B**	(85)	(188)	(262)	307
Total oil sales ($000s)	**A+B**	**1,937**	**2,135**	**3,609**	**4,598**

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 which 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 price during the quarter ended September 30, 2023 was significantly impacted by the decrease in US Brent as compared to the quarter ended September 30, 2022. The realized weighted average price of oil lifting sales was US$82.01/bbl and US$100.48/bbl for the current and previous year's quarters respectively, which is a decrease of 18%. This correlates with the 14% decrease in US Brent reference price across the two periods. During the current quarter, the value of the pipeline oil decreased by $0.1 million due to decreased pipeline oil volume and pricing.

The following table outlines average benchmark prices:

	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Brent oil ($/bbl)	105.07	131.40	131.43	138.25
Brent oil (US$/bbl)	86.66	100.71	82.49	107.13
Number of CAD$ for 1 AUS$	0.88	0.89	0.89	0.90
Number of CAD$ for 1 US$	1.34	1.30	1.34	1.29

The following table outlines operating netback:

Operating netback	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Oil sales ($000s)	1,937	2,135	3,609	4,598
Royalties ($000s)	101	128	214	276
Operating expenses ($000s)	874	763	1,603	1,601
Operating netback ($000s)	962	1,244	1,792	2,721
Oil sales ($/bbl)	119.75	133.47	111.97	140.38
Royalties ($/bbl)	6.24	8.00	6.64	8.43
Operating expenses ($/bbl)	54.03	47.70	49.73	48.88
Operating netback ($/bbl)	59.48	77.77	55.60	83.07

Operating netback was $59.48/bbl for Q2 fiscal 2024, 24% lower than Q2 fiscal 2023 of $77.77/bbl. Majority of the decrease was due to lower realized oil price of 10%, from $133.47/bbl in Q2 fiscal 2023 to $119.75/bbl for Q2 fiscal 2024. Overall, the 14% decline in reference oil price between Q2 fiscal 2024 and Q2 fiscal 2023, creating a revenue decrease of $0.2 million, plus higher operating expenses of $0.1 million or 13%, to $54.03/bbl resulted in the lower operating netback for Q2 fiscal 2024.

Royalties

Royalties	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Royalty expense ($000s)	101	128	214	276
$/bbl	$6.24	8.00	6.64	8.43
% of revenue	5	6	6	6

In Queensland Australia, oil royalties are based on a government-established rate net of eligible expenditures which scales according to benchmark oil prices plus a Native Title royalty of 1%. Royalty rates approximate 5% of oil sales for Q2 fiscal 2024, reflecting the change in pipeline oil in the current quarter. Overall, royalty rate of 6% for the six months to date is consistent with prior fiscal year.

Operating Expenses

Operating Expenses	**Three months ended September 30, 2023**	**2022**	**Six months ended September 30, 2023**	**2022**
Production ($000s)	316	282	496	584
Transportation ($000s)	558	482	1,107	1,018
	874	764	1,603	1,602
Production ($/bbl)	19.54	17.63	15.39	17.83
Transportation ($/bbl)	34.50	30.07	34.34	31.05
	54.03	47.70	49.73	48.88

Total operating expenses during Q1 fiscal 2024 were $0.9 million or $54.03/bbl compared to $0.8 million or $47.70/bbl for Q2 fiscal 2023. The pilot water-injection scheme was shut-in during the quarter, which resulted in increased water production and a corresponding 14% increase in transportation charges. Production expenses increased by 12% as a result of workover activities at the C28, C20 and C14 wells.

General and Administrative (G&A) Expenses

G&A ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Total G&A	884	699	1,752	1,551
Capitalized G&A	(47)	(69)	(110)	(135)
Net G&A	837	630	1,642	1,416

G&A expense was $0.2 million higher in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. This was similar for the six-month period ended as a result of increased activities associated with 100% owned assets as costs incurred to maintain these assets as ready for operations are being classified as G&A.

Share-based Compensation ("SBC")

SBC ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Expensed SBC	7	19	16	37
Capitalized SBC	1	1	1	3
	8	20	17	40

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. There were no new stock options granted during the current quarter resulting in lower share-based compensation expense.

Depletion and Depreciation (DD&A)

DD&A ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Petroleum and natural gas properties	276	235	569	494
Other assets	-	1	1	2
Right-of-use assets	8	8	15	15
DD&A	284	244	585	511
DD&A ($/bbl)	17.56	15.25	18.15	15.60

Production in Q2 fiscal 2024 was 16,175 compared with 15,996 bbls in Q2 fiscal 2023, a 1% increase. Depletion increase in both the three months and six months ended September 30, 2023 compared to September 30, 2022 was the result of an increase in future development costs to $80.4 million in fiscal 2024 compared to Q2 fiscal 2023.

Finance Expense

Finance Expense ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Accretion expense on decommissioning and restoration liability	44	44	88	73
Interest on lease liability	-	1	1	2
Interest – other	2	(7)	7	(12)
Interest income	-	2	-	4
	46	40	96	67

Accretion expense on decommissioning and restoration liabilities increased as a result of increased inflation rate estimates, 4.5% at September 30, 2023, compared to 4.0% at September 30, 2022. Interest income reflects interest on cash deposit on hand in 2022.

CAPITAL EXPENDITURES

Capital expenditures ($000s)	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
Geological, geophysical and workovers	115	2,126	328	5,533
Drilling	-	14	-	23
Completions	-	48	-	50
	115	2,188	328	5,606
Exploration and evaluation expenditures	2	475	42	1,495
Development and production expenditures	113	1,713	286	3,636
	115	2,188	328	5,606

Development and production expenditures were $0.1 and $0.3 million in three and nine months ended September 30, 2023 respectively, relating primarily to preparation for upcoming capital programs compared to the three and nine months ended September 30, 2022 during which the Company was actively engaged in capital activities at the Wareena field and evaluation and stimulation work at ATP 732.

SHARE CAPITAL

Trading history	Three months ended September 30, 2023	2022	Six months ended September 30, 2023	2022
High ($/share)	0.07	0.12	0.08	0.15
Low ($/share)	0.04	0.07	0.04	0.07
Close ($/share)	0.04	0.07	0.04	0.07
Volume (000s)	20,493	1,012	16,575	2,901
Weighted average shares outstanding (000s)				
- Basic	485,304	485,304	485,304	485,304
- Diluted	485,304	486,132	485,304	487,528

At November 9, 2023, there were 485,304,215 common shares issued and outstanding, together with 10,920,000 outstanding options.

LIQUIDITY RISK AND CAPITAL RESOURCES

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

Bengal’s financial liabilities consist of trade and other payables and lease liability and amounted to $2.9 million at September 30, 2023 (March 31, 2023 - $3.1 million).

At September 30, 2023, the Company had working capital, which the Company defines as total current assets less total current liabilities, excluding other obligations and current portion of decommissioning obligations, of $0.1 million, including cash and cash equivalents of $0.5 million, compared to a working capital deficit of $0.3 million at March 31, 2023. The Company expects that its cashflows generated from operations will be sufficient to meet its ongoing operating and general expenses, however additional capital will be required to meet future capital commitments and to fund future planned capital projects.

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. The Company is acting with its joint venture partners to reduce discretionary operational spending and limiting its capital expenditures capital towards lower risk projects that meet its internal economic hurdles and are expected to offer 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. In Q4 fiscal 2018, the Company consolidated its ownership of

ATP 934 resulting in a 100% and 40% operating interest in the northern and southern block of this permit, respectively. The work program consists of 260 km2 of 3D seismic and up to three wells. In February 2023, the Company extended its ATP 732 permit and received a Potential Commercial Area (“PCA”) over 343 km2. This included additional work commitments related to both ATP 732 and PCA 332 as outlined below.

At September 30, 2023, the Company had the following capital work commitments:

Permit	Work Program	Obligation period ending	Estimated expenditure (net) (millions CA$)(1)
ATP 934 – Onshore Australia	260 km^2 3D seismic and up to three wells	February 2027	7.8
ATP 732 – Onshore Australia	Geological and up to three wells	February 2029	6.6
PCA 332 – Onshore Australia	Initial Production testing	February 2029	3.8
	Extended Production testing	February 2035	2.3

(1) Translated at September 30, 2023, at an exchange rate of AUS$1.00 = CAD$0.8726.

The Company entered into a lease agreement for office space in October 2023 with a contract term ending in February 2027.

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 effective at September 30, 2023, with the exception of the material weaknesses noted below.

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

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

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

- Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general and administrative and financial matters. However, management believes that at this time the potential benefits of adding employees to clearly segregate duties do not justify the costs; and

- Bengal does not have full-time in-house personnel to address all complex and non-routine financial accounting issues and tax matters that may arise. It is not deemed as economically feasible at this time to have such personnel. Bengal relies on external experts for review and advice on complex financial accounting issues and for tax planning, tax provision and compilation of corporate tax returns.

These material weaknesses in internal controls over financial reporting result in a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis. Management and the Board of Directors work to mitigate the risk of material misstatement; however, management and the Board 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 judgements, 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. A full discussion of the Company's critical judgments and accounting estimates is included in its fiscal 2023 annual Management's Discussion and Analysis dated June 14, 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the previous financial year as described in Note 3 of the Company's consolidated financial statements for the year ended March 31, 2023.

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 (used in) operations, funds from (used in) operations per share, adjusted net income and adjusted net income per share do not have any standardized meaning under IFRS and are referred to as non-IFRS measures. 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.

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:

Operating netback	**Three months ended September 30,**		**Six months ended September 30,**	
($000s)	**2023**	**2022**	**2023**	**2022**
Oil sales	1,937	2,135	3,609	4,598
Royalties	101	128	214	276
Operating expenses	874	763	1,603	1,601
Operating netback	**962**	**1,224**	**1,792**	**2,721**

Funds from (used in) operations

Management utilized funds from (used in) operations as 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 (used in) operations is calculated by adding back all non-cash expense deductions to the net loss for the period ended. The following table reconciles cash from operating activities to funds (used in) from operations, which is used in this MD&A:

Funds from operations	**Three months ended September 30,**		**Six months ended September 30,**	
($000s)	**2023**	**2022**	**2023**	**2022**

Cash flow (used in) from operations per financial statements	(643)	1,053	(745)	2,070
Changes in non-cash working capital	766	721	860	386
Funds from operations	123	1,774	115	2,456

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 of production.

Operating netback per barrel	**Three months ended September 30,**		**Six months ended September 30,**	
($/bbl)	**2023**	**2022**	**2023**	**2022**
Oil sales	119.75	133.47	111.97	140.38
Royalties	6.24	8.00	6.64	8.43
Operating expenses	54.03	47.70	49.73	48.88
Operating netback	**59.48**	**77.77**	**55.60**	**83.07**

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:

bbl	-	barrel
bbl/d	-	barrels per day
$/bbl	-	dollars per barrel
ft^3	-	cubic feet
boe/d		barrels of oil equivalent per day
FY	-	fiscal year
K	-	thousand
km	-	kilometres
km^2	-	square kilometres
Q1	-	three months ended June 30
Q2	-	three months ended September 30
Q3	-	three months ended December 31
Q4	-	three months ended March 31
WI	-	working interest
COSPA	-	crude oil sales and purchase agreement

RISK FACTORS

There are a number of risk factors facing companies that participate in the oil and gas industry. A complete list of risk factors is provided in Bengal's Annual Information Form dated June 29, 2023, filed on SEDAR at www.sedar.com.

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 in the annual information form 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 in the annual information form does not purport to be an exhaustive summary of the risks affecting Bengal.

ADDITIONAL INFORMATION

Additional information relating to Bengal is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Bengal Energy Ltd., Suite 1110, 715 - 5th Avenue SW., Calgary, Alberta T2P 2X6, by email to info@bengalenergy.ca or by accessing Bengal's website at www.bengalenergy.ca.

Forward-looking Statements *– Certain statements contained within this MD&A constitute "forward-looking statements" or "forward-looking 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;*
- *The forecasted covenant breach with respect to the Credit Facility;*
- *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 2024 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 the planned extended production test on the Nubba gas discovery well and plans to tie in the well;*
- *The planned 100% free carried well on the ATP 934 Barrolka and the expected assistance in de-risking the natural gas potential of the permit;*
- *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;*
- *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 2024 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:

- *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.*
- *Weather*

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

Disclosure of Oil and Gas Information

Unless otherwise specified, reserves data set forth in this document is based upon an independent reserve assessment and evaluation prepared by GLJ with an effective date of March 31, 2023 (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

KPMG LLP • Calgary, Canada

LEGAL COUNSEL

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

DISCLOSURE COMMITTEE

Chayan Chakrabarty
Jerrad Blanchard

AUDIT COMMITTEE

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

RESERVES COMMITTEE

Dr. Brian J. Moss (Chairman)
Peter Lansom
Robert D. Steele

COMPENSATION COMMITTEE

Dr. Brian J. Moss (Chairman)
Robert D. Steele
Peter Lansom

GOVERNANCE AND NOMINATING COMMITTEE

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

HEALTH SAFETY AND ENVIRONMENT COMMITTEE

Peter Lansom (Chairman)
Robert D. Steele
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